Kentucky Chamber of Commerce

Task Force on Postsecondary Education

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Executive Summary

Kentucky's 1997 higher education reforms set an ambitious goal of elevating the state to the national average of educational attainment by 2020. Ten years later, the Kentucky Chamber of Commerce Task Force on Postsecondary Education undertook an independent review to determine Kentucky's progress toward achieving that goal and to identify the tasks and challenges that remain.

The central theme of the 1997 legislation was to use the Commonwealth's system of higher education to drive improvements to Kentucky's economy and the quality of life of its citizens. The reforms established a series of related institutional and system goals. But the overarching goal of the initiative has been – and continues to be — widely interpreted to mean that Kentucky should achieve a level of per capita income that meets or exceeds the national average by 2020. Because a state's per capita income is directly related to the college-level education of its population, the goal is further interpreted to mean that Kentucky should strive to reach or exceed the national average in this area. The Council on Postsecondary Education's "Double the Numbers" campaign to increase the number of Kentuckians with bachelor's degrees is based on this interpretation. To move toward those goals, the reform act established a range of policies that included:

- A new policy leadership and coordinating entity, the Council on Postsecondary Education (CPE)
- A mandate that the CPE develop a strategic agenda and implementation plan to achieve the 2020 goals
- A new financing framework, including strategic investment and incentive funding programs aligned with the goals
- A new entity, the Kentucky Community and Technical College System (KCTCS)
- A mechanism, the Strategic Committee for Postsecondary Education (SCOPE), to engage the General Assembly and to ensure a sustained commitment to a strategic policy and budget development process

In short, postsecondary reform was a complex and interrelated set of goals and policies designed to transform the Commonwealth's standard of living and quality of life. In broad terms, its intent was to develop a seamless, nationally recognized postsecondary education system that would both create a nationally competitive workforce *and* support the development of an economy that could employ that workforce.

The Chamber Task Force Review

The Kentucky Chamber's Postsecondary Education Task Force framed its work around a series of questions to gauge progress and continuing challenges and developed its findings by:

- Analyzing changes in demography, education attainment and the economy over the past decade and from a comparative perspective
- Analyzing changes within Kentucky's postsecondary education system
- Reviewing the implementation of policies put in place by the 1997 reforms, especially the original House Bill 1 and subsequent related legislation
- Conducting interviews with current and former state policy leaders
- Gathering comments from Kentucky employers, educators and citizens in nine regional forums

Summary of Observations & Findings

The following is a summary of the report's observations and findings, which are discussed in greater detail in subsequent sections.

The Postsecondary Education Reform Act of 1997 represented the culmination of several decades of studies, debate and action to improve education in Kentucky. The most significant event was the 1990 enactment of the Kentucky Education Reform Act (KERA), in response to a state Supreme Court ruling that created a new system of elementary and secondary education. KERA is widely recognized as one of the nation's most significant, state-level education reforms and marked the beginning of measurable progress in the academic achievement of Kentucky students. The documented need to expand the culture of improvement to the postsecondary level prompted the 1997 legislation.

Approaching its assessment of the impact of the 1997 effort through a series of questions, the Chamber's Task Force findings include the following.

1. **Has Kentucky made progress in building the capacity of its postsecondary institutions and system?**

   Enrollments at all institutions have increased over the past 10 years, with growth ranging from 2.2 percent at Eastern Kentucky University to 28.3 percent at Western Kentucky University. KCTCS enrollment has grown by 106.1 percent. Degree production also has accelerated, with the most substantial increases recorded by Murray State, Northern Kentucky, Western Kentucky and KCTCS. Each of the institutions has also made significant progress toward its individual goals, although sustained attention will be required to ensure they achieve the performance expected by 2020.

2. **Has performance improved in terms of preparing students for postsecondary education, ensuring their success throughout the education "pipeline"?**

   Kentucky continues to face considerable challenges here as its education pipeline leaks at every seam. Of 100 Kentucky 9th graders:

   - Only 65 complete high school in four years[1]
   - Only 37 directly enter college
   - Only 24 enroll in a second year

[1] The actual high school graduation rate as established by the Kentucky Department of Education is higher than this figure, at 71.1 percent. The data from higher education researcher Tom Mortenson, however, are based on data available for comparisons among states. Although work is in process to develop new data definitions and sources, as of today, there are no precise national data on graduation rates available that can be used for interstate comparisons.

- Only 12 complete either an associate degree in three years or a bachelor's degree in six years

That final number for the nation as a whole is 18, and the top-performing states more than double (28 vs. 12) the number of Kentucky students who get through the pipeline in a timely manner.

The major leaks of Kentucky's pipeline include low rates of high school completion; the gap between requirements for high school graduation and a GED and the level of preparation needed for postsecondary education study (more than 50 percent of college freshmen require remediation in at least one subject); the low rates of postsecondary degree completion; and the low rates of transfer from community and technical colleges and universities. There are vast disparities among Kentucky's regions on these "leak points."

3. Has postsecondary reform contributed to the goals of HB 1 and the ultimate goal of moving Kentucky's educational attainment and per capita income closer to the national average?

Kentucky has made progress toward the goals of HB 1 to develop the capacity of the state's postsecondary institutions to serve the state's needs. It has also made progress toward the ultimate goal of moving Kentucky's educational attainment and per capita income closer to the national average. While Kentucky has made progress, other states have also improved. The result is that Kentucky's position relative to the national average has changed little over the past decade (the state's per capita income as a percent of the national average remains about 82.1 percent). The good news, however, is that since postsecondary reform was enacted in 1997, Kentucky has maintained its standing relative to the national average while the position of neighboring states such as Indiana and Ohio has declined. The state's challenge is made even more difficult as other countries move ahead in the educational attainment of their younger populations. Educational attainment in the majority of Kentucky's counties mirrors those of some of the least-educated member countries of the international Organisation of Economic Co-operation and Development (OECD), and only Fayette and Oldham counties are at or above the national average.

The state's economy is providing mixed signals regarding the value of further postsecondary education in terms of employment opportunities. A report on regional forums conducted by KCTCS found significant shortages of candidates for employment in technical fields and several professions that require postsecondary education. Except for critical fields such as education and the health professions, most of the demand is at the associate degree level. Getting more education leads to better earnings in Kentucky, but not at the level of other states. Significant differences exist among the state's regions in the demand for an educated workforce. Kentucky must give high priority to *workplace* development – creating jobs by linking higher education to a new innovation-based economy – as an essential complement to *workforce* development – getting more youth and adults through the education pipeline. Without an economy to employ a college-

educated workforce, it will not be possible for Kentucky either to retain its college graduates or attract college graduates through in-migration.

4. **Are the goals of the 1997 reforms still valid?**

   Yes, and they remain as important to the future of Kentucky as they were when adopted. Both the goals to develop institutional capacity and the ultimate goal to raise educational attainment and per capita income are critical to the Commonwealth's competitiveness in the global innovation-based economy. Many pieces of the program are in place and doing well, but the state will need to work aggressively to reach the national average of educational attainment by 2020. Kentucky also must seamlessly integrate its education agenda at all levels—beginning with early childhood and preschool and continuing through secondary, postsecondary, adult and lifelong learning—to ensure success. Throughout the process, the linkages between education and economic growth must be clearly defined and supported by strategies to make the connections real and productive.

5. **What are the barriers to progress?**

   - **Lack of alignment**. Although progress has been made, appropriate connections – also called alignment – do not exist between and among all levels of education to ensure the success of students. A striking example of this is the misalignment of the state assessment for high school students, the Commonwealth Accountability Testing System or CATS, with the expectations for postsecondary-level study. Another is inconsistent policies governing the transferability of credits earned at KCTCS institutions to universities.
   - **Weak links between postsecondary education and state and regional economic development.** Kentucky can achieve its goals only if there is an intensified effort to develop a state economy that employs a highly educated population. In addition to getting more students through the education pipeline to degrees, the state must create jobs that keep and attract college-educated residents.
   - **Inadequate policy coordination, discipline and accountability.** The state policy leadership and coordinating structure established in HB 1 is not working as intended, and the history of the budget process from 1997 through 2007 shows a steady drift away from a strategic alignment with the reform goals. If Kentucky is to achieve the goals of HB 1, coordination, discipline and accountability must be restored. There is widespread agreement that the re-establishment of the CPE as an effective entity is essential to the future of postsecondary reform. Most of those interviewed also agree that a new entity is needed to perform the intended purposes of SCOPE to ensure that the state's elected leaders are fully engaged in the development of the strategic agenda and budgetary framework. To ensure alignment between funding and the pursuit of the reform goals, Kentucky must recommit to the principles of fiscal policy of HB 1.

- **Threats to affordability.** Students and families are bearing a higher percentage of the cost of postsecondary education. In relationship to family incomes in Kentucky, the Commonwealth's postsecondary system remains reasonably affordable for *full-time* students. Nevertheless, serious gaps exist in affordability for part-time and independent students. Participation and success in postsecondary education, especially for first-generation students, is seriously hampered by lack of effective guidance and counseling of students beginning as early as 7th and 8th grade, the lack of incentives for students to take the right courses and stay in school to prepare for college, and the complexity of the student aid programs. Kentucky needs a major overhaul of its policies to ensure affordability of postsecondary education for all qualified Kentucky students—both youth and adults.
- **Comparatively low productivity.** The challenge of meeting the 2020 goals, both developing institutional capacity (Goal A) and the ultimate goal (Goal B), will require a substantial additional investment. It is unrealistic to assume that these resources will come only from additional state appropriations. The cost of reform should not be shifted primarily to students and families. Additional funding from private sources (e.g., endowments) will be insufficient to fill the gap. This leaves no alternative but to make significant sustained improvements in the productivity of the postsecondary system, that is, a significant increase in degree production in a more cost effective manner. Kentucky produces comparatively fewer bachelor's degrees for the level of funding than other states. No single solution is available to tackle the productivity gap. There is a need for both sustained public investment *and* more effective resource use. Solutions must focus on quality, cost and access—they should not sacrifice one (e.g., quality or access) to make progress on another (e.g., cost containment).

Recommendations

To the Governor and General Assembly

1. Reaffirm Kentucky's commitment to achieve House Bill 1 goals by 2020.
   - Give priority to both inter-related goals of HB 1
     - Institutional "capacity" goals for the postsecondary education system
     - The ultimate goal to be achieved by 2020: to develop "…a society with a standard of living and quality of life that meets or exceeds the national average."
   - Affirm the goal to develop a major comprehensive research university – the University of Kentucky – ranked nationally in the top twenty public universities; a premier, nationally recognized metropolitan research university – the University of Louisville; comprehensive universities with nationally recognized programs of excellence and nationally recognized applied research programs; a comprehensive community and technical college system; and, a coordinating system to deliver educational services comparable to or exceeding the national average to all adult Kentuckians.
   - Support the campaign to Double the Numbers by 2020 to increase Kentucky's educational attainment to a level that meets or exceeds the national average. Adopt additional goals that establish the goal of reaching the education attainment levels of the most competitive nations by 2025 and set benchmarks referenced to the United States and OECD countries.
   - Emphasize that Kentucky must also increase degree attainment at both the associate and bachelor's degree levels to reflect the needs of Kentucky's current economy, realistic goals for the existing adult population (GED recipients), as well as the role of KCTCS in increasing transfers.
   - Clarify the institutional capacity goal for the comprehensive universities to emphasize regional stewardship to underscore the role of these universities in uplifting the education attainment, quality of life, and innovation-based economies of their regions.
2. Redefine the overall goal for Kentucky to shape a comprehensive, integrated strategy to develop a seamless (P-20) education system, beginning with early childhood through elementary and secondary education, postsecondary education, adult and lifelong learning.
3. Make the partnership between postsecondary education and community and economic development a central priority at the state and regional levels.
4. Recommit to complying with the budgetary framework for postsecondary education originally established in the Postsecondary Education Reform Act of 1997, to provide discipline and accountability to the budget decisions necessary to achieve the

2020 goals. Principles to guide budget development for the 2008-2010 biennium and future biennia are included in the detailed recommendations.

5. Guarantee affordable access to postsecondary education for all qualified Kentuckians on a "last dollar" basis and simplify and consolidate state student aid programs.
   - Adopt a simplified, integrated, need-based student financial aid program based on the principle of shared responsibility among students, families, the state and federal governments and institutions.
   - Establish a new Commonwealth 21st Century Scholars Program as a way of raising the educational aspirations of low- and moderate-income families.
6. Re-establish a mechanism to ensure full participation of the Governor and General Assembly in shaping the strategic agenda for achieving the goals of the 1997 reforms and the related Double the Numbers goals and for developing a strategic budget necessary to achieve these goals.
7. Re-establish the CPE as an independent, nonpartisan policy leadership entity outside the Education Cabinet with direct access to the Governor and to leadership across state government.

To the Kentucky Chamber of Commerce

8. Establish an entity charged with monitoring progress of reform and gaining support of the Governor and General Assembly for sustaining reform.
9. Support, in collaboration with the Governor, a renewed public campaign focusing on the value of education: not only the economic value but also the intrinsic value in terms of independence, appreciation of arts and culture, civic participation and the role that parents can play in encouraging their children to enjoy and excel in education.
10. Encourage local groups willing to assume the leadership role in their regions to create strategic plans regarding economic and human capital development (much like the plans developed in Northern Kentucky and Louisville).
11. Communicate to employers the key ways that they must send far stronger signals to employees, and therefore to parents and students, that staying in school, taking the right courses and pursuing postsecondary education are critical steps to earning a living wage in the global economy.
12. Sponsor an annual summit engaging the state's policy leaders in stock-taking on the status of reform and progress toward the 2020 goals.

Background

Introduction

Kentucky's 1997 higher education reforms set an ambitious goal of elevating the state to the national average of educational attainment by 2020. Ten years later, the Kentucky Chamber of Commerce Task Force on Postsecondary Education commissioned an independent review to determine Kentucky's progress toward achieving that goal and to identify the tasks and challenges that remain. The charge of the Task Force was to:

- Conduct an independent assessment of postsecondary education in Kentucky to determine what has been accomplished since the 1997 reforms and what must be done if the state is to reach its educational attainment goals by 2020.
- Assess the effectiveness of current accountability measures in informing Kentuckians about the quality of postsecondary education in Kentucky.
- Use the review and follow-up activities to re-engage the business community on behalf of improving postsecondary education.
- Raise public awareness of the personal and economic importance of high-quality postsecondary education.

Postsecondary Education Reform: A Review

Postsecondary reform was a complex and interrelated set of *means* and *ends* designed to transform the Commonwealth's standard of living and quality of life. In broad terms, its intent was to develop a seamless, nationally recognized postsecondary education system that would both create a nationally competitive workforce *and* support the development of an economy that could employ that workforce.

The Postsecondary Education Reform Act of 1997, or House Bill 1, represented the culmination of several decades of studies, debate and action to improve education in Kentucky. The most significant event was the 1990 enactment of the Kentucky Education Reform Act (KERA) in response to a Kentucky Supreme Court decision declaring the state's system of common schools unconstitutional. KERA is widely recognized as one of the most significant, far-reaching, state-level education reforms enacted in the United States in the past quarter century.

Following KERA's enactment, several reports—including those by the Legislative Research Commission and the Kentucky Long-Term Policy Research Center—laid the foundation for the issues that House Bill 1 would address. Common themes emerged:

- The need for Kentucky to develop a high-quality, fully-integrated, seamless system of education and training to address the long-standing challenges of poverty and low income.

- Problems created by the lack of statewide coordination, unnecessary program duplication and barriers to credit transfers for students seeking to move from one postsecondary institution to another.

- The need to address the divided structure of community colleges and vocational-technical education.

- The negative impact of institutional end-runs of the existing Council on Higher Education and regional competition and institutional turf battles in the legislative process.

Task Force on Postsecondary Education

A legislatively created task force, chaired by the Governor with legislative and executive branch members, began a review in mid-1996. An assessment prepared for the task force identified four barriers to raising the educational attainment and economic competitiveness of Kentuckians:

- Lack of leadership, especially from the existing Council on Higher Education. The Council was not sought as the principal source of advice on strategic budget issues by the Governor and General Assembly and was perceived as being unable to counter the political influence of the University of Kentucky and regional universities.
- Lack of strategic financial planning and a funding formula that:
    - rewarded competition for the same students rather than collaboration among institutions.
    - provided insufficient incentives for enhanced competitiveness in R&D, different missions or for resource sharing among the regional institutions.
- No statewide commitment to plan strategically for the deployment of technology.
- Financial barriers to students.

The assessment concluded that Kentucky's postsecondary education system was not only ineffective in dealing with current demands, but also ill-prepared for the realities of the emerging global, knowledge-based economy.

The Legislation

The 1997 Postsecondary Education Reform Act won passage with the broad support of a coalition of business, civic and education leaders. Its central theme was to use the Commonwealth's system of higher education to drive improvements to Kentucky's economy and the quality of life of its citizens. As the statute reads:

> ***"The achievement of these goals will lead to the development of a society with a standard of living and quality of life that meets or exceeds the national average."***

Four other policy changes in 1998 and 2000 added significant dimensions to postsecondary education reform:

- The Kentucky Educational Excellence Scholarship (KEES), funded by lottery proceeds, provides postsecondary scholarships to students based on their academic performance in high school.

- The "Bucks-for-Brains" initiative matches state dollars with private donations to encourage higher education research activities. Endowment proceeds fund chairs, professorships, research scholars, research staff, fellowships, scholarships, infrastructure and mission support.

- The Kentucky Innovation Act of 2000 created the Kentucky Innovation Commission and established several special funds and programs to spur innovation and commercialization efforts.

- Senate Bill 1 (2000) substantially increased the state's commitment to improve the educational attainment and adult literacy. The legislation transferred policy responsibility for adult education and literacy from the Cabinet for Workforce Development to the Council on Postsecondary Education.

Goals of Reform

Two different but related kinds of goals (referred to as Goals A and B throughout this report) became part of Kentucky law:

- **Goal A:** Institutional "capacity" goals for the postsecondary education system. Within an overall goal to create a seamless, integrated system of postsecondary education strategically planned and adequately funded to enhance economic development and quality of life, the statute calls for five "institutional capacity goals":
  - A major comprehensive research university, the University of Kentucky, ranked nationally in the top 20 public universities.
  - A premier, nationally recognized metropolitan research university, the University of Louisville.
  - Regional universities with nationally recognized programs of excellence and nationally recognized applied research programs.
  - A comprehensive community and technical college system.
  - A coordinated system to deliver educational services, comparable to or exceeding the national average, to adult Kentuckians.[2]

- **Goal B:** The ultimate goal to be achieved by 2020: ***to develop "… a society with a standard of living and quality of life that meets or exceeds the national average."*** This goal is widely interpreted to mean that Kentucky should achieve a level of per capita income that meets or exceeds the national average by 2020. Because the level of a state's per capita income is directly related to the college-level education of its population, the goal is further interpreted to mean that Kentucky should strive to reach or exceed the national average in this area. This interpretation is the basis of the Council on Postsecondary Education's Double the Numbers campaign.

[2] The 2000 General Assembly added this goal in Senate Bill 1 on adult education.

The reform sponsors designed the goals to achieve a clear relationship between substantive *means* and *ends* as well as political balance:

- The substantive intent was that by developing strong, nationally competitive institutions and delivery systems (Goal A: the institutional capacity goals), Kentucky could achieve the ultimate goal (Goal B) by:
    - Getting more of Kentucky's population, both youth and adults, through the education pipeline to a postsecondary education degree. Developing a seamless system including KCTCS, adult education, strong universities and links with elementary and secondary education—was the means to achieve this end.
    - Developing an economy that could attract, employ and retain a highly educated population. The goal related to developing the research competitiveness of the University of Kentucky as a top 20 public university and the University of Louisville as a nationally recognized metropolitan research university were *means* to develop a nationally competitive knowledge and innovation based economy.
- The political intent was to achieve a reasonable balance between the major sectors (the research universities, comprehensive universities and KCTCS) and the state's regions: urban and rural, the so-called Golden Triangle and the state's other metropolitan and more rural regions.

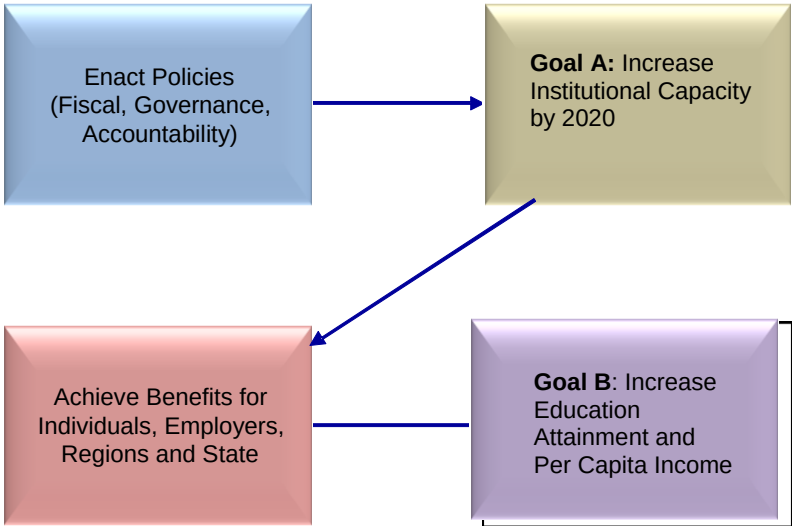
Policies to Achieve the Goals

Policies established by the reform act to support achievement of the goals included:

- A new policy leadership and coordinating entity, the Council on Postsecondary Education (CPE).
- A mandate to the CPE to develop a strategic agenda and implementation plan to achieve the 2020 goals and to share the strategic budget process and accountability system.
- A new financing framework, including strategic investment and incentive funding programs aligned with the 2020 goals.
- A new entity, the Kentucky Community and Technical College System (KCTCS).
- A mechanism, the Strategic Committee for Postsecondary Education (SCOPE), intended to engage the General Assembly and to foster adherence to the strategic agenda in the policy and budget development process.

Figure 1 summarizes the major elements of postsecondary reform.

FIGURE 1
Key Elements of Postsecondary Reform



Progress and Challenges

The Kentucky Chamber's Postsecondary Education Task Force framed its work around a series of questions to gauge the progress that has been made in the past decade and to identify the challenges that remain. Its findings were developed by analyzing changes in demography, educational attainment, the economy over the past decade and, from a comparative perspective, by:

- Analyzing changes within Kentucky's postsecondary education system.
- Reviewing the implementation of policies put in place by the 1997 reforms.
- Conducting interviews with current and former state policy leaders.
- Conducting interviews with institutional presidents.
- Gathering comments from Kentucky employers, educators and citizens in nine regional forums.

Observations and Findings

1. Has Kentucky made progress in building the capacity of its postsecondary institutions and system?

Kentucky has made significant progress toward meeting the capacity goals established in 1997: enrollments at all institutions have increased and degree production has accelerated. Perhaps the most significant, if subtle, impact of the reforms is increasing the aspirations and confidence of the whole system to achieve unprecedented levels of performance. The excitement and hope stimulated by HB 1 contributed directly to the attraction of new leadership at the state and institutional levels—leadership that would be critical to the capacity of the state to make progress toward the reform goals.

Increase in enrollments and degrees

- Enrollments at all institutions have increased (Figure 2) – most substantially at Northern Kentucky University, Western Kentucky University and KCTCS – with overall enrollments up by an average of 39.4 percent.

FIGURE 2
Total Fall Headcount Enrollment by Level from 1997 to 2006

Institution	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	% Change
Eastern Kentucky Univ.	15,425	15,402	15,188	14,657	14,913	15,248	15,951	16,183	16,219	15,763	2.2
Kentucky State Univ.	2,288	2,303	2,393	2,254	2,314	2,253	2,306	2,335	2,386	2,500	9.3
Morehead State Univ.	8,208	8,263	8,171	8,327	9,027	9,390	9,509	9,293	9,062	9,025	10.0
Murray State Univ.	8,811	8,903	8,914	9,141	9,648	9,920	10,100	10,128	10,274	10,304	16.9
Northern Kentucky Univ.	11,785	11,799	11,776	12,101	12,548	13,743	13,945	13,921	14,025	14,638	24.2
Univ. of Kentucky	24,171	24,394	23,742	23,852	24,791	25,741	26,260	26,545	26,439	27,209	12.6
Univ. of Louisville	20,894	20,857	20,793	20,768	20,394	21,089	21,464	21,725	21,760	21,841	4.5
Western Kentucky Univ.	14,543	14,882	15,123	15,516	16,579	17,818	18,391	18,513	18,645	18,664	28.3
Subtotal	106,125	106,803	106,100	106,616	110,214	115,202	117,926	118,643	118,810	119,944	13.0
KCTCS	41,957	51,647	52,842	59,415	70,913	76,082	80,695	81,990	84,931	86,475	106.1
Total	**148,082**	**158,450**	**158,942**	**166,031**	**181,127**	**191,284**	**198,621**	**200,633**	**203,741**	**206,419**	**39.4**

Source: CPE

All institutions improved in degree production (Figure 3). The most substantial increases occurred at Murray State, NKU, WKU and KCTCS.

FIGURE 3
Degrees and Other Credentials Awarded by Kentucky Public Postsecondary Institutions

Institution	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	% Change
Eastern Kentucky Univ.	1,786	1,717	1,762	1,663	1,639	1,572	1,664	1,678	1,787	1,980	10.9
Kentucky State Univ.	183	226	193	222	207	219	210	214	229	198	8.2
Morehead State Univ.	1,026	954	911	971	927	907	887	991	1,038	1,055	2.8
Murray State Univ.	1,014	1,064	1,057	1,274	1,225	1,284	1,290	1,440	1,373	1,521	50.0
Northern Kentucky Univ.	1,082	1,122	1,163	1,142	1,186	1,259	1,374	1,421	1,529	1,584	46.4
Univ. of Kentucky	3,133	3,247	3,285	3,187	3,239	3,488	3,338	3,373	3,285	3,519	12.3
Univ. of Louisville	1,836	1,694	1,734	1,750	1,819	1,851	1,825	1,890	2,148	2,253	22.7
Western Kentucky Univ.	1,630	1,716	1,909	1,753	1,695	1,903	1,878	2,116	2,166	2,313	41.9
Total	11,690	11,740	12,014	11,962	11,937	12,483	12,466	13,123	13,555	14,423	23.4
KCTCS											
Diplomas					1,609	1,608	1,705	2,226	2,310	2,130	32
Certificates					1,839	3,708	3,929	5,748	7,708	11,647	533
Associates					3,322	3,706	4,229	4,764	5,723	6,028	81
Total					**6,770**	**9,022**	**9,863**	**12,738**	**15,741**	**19,805**	**193**

Source: CPE

Progress toward institutional capacity goals

Each institution progressed toward its capacity goals (Goal A), although sustained attention is needed to ensure that the institutions reach the performance expected by 2020.

- The University of Kentucky made progress toward the top 20 public research university goal. For example, the university:
  - Increased research expenditures from $124.8 million (1996–97) to $324 million (2006–07), an increase of $199.2 million or 160 percent.
  - Increased endowment from $195.1 million (June 30, 1997) to $700.7 million (June 30, 2007), an increase of $505.6 million or 259 percent.
  - Increased endowed chairs from 22 (pre-Research Challenge Trust Fund) to 104 (June 30, 2007) an increase of 82 or 372 percent.
  - Increased Endowed Professorships from 45 to 227 (June 30, 2007), an increase of 404 percent.

- The University of Louisville made progress toward the pre-eminent metropolitan university goal. For example, the university:
  - Achieved classification as a Carnegie Research I/Research Extensive university.
  - Developed nationally recognized graduate programs, including 30 nationally recognized in 2007 from objective, external reviewers.
  - Attained designation as a National Institutes of Health Cancer Center.
  - Achieved 125 endowed chairs and professorships in key fields in Fall 2007.
  - Increased endowment from $255 million to $796 million by June 30, 2007; endowment ranks 91st among 745 NACUBO universities (2006 study).
  - Increased significantly the number of business start-ups that develop from university research activity.
  - Achieved national recognition as a leader for linking its resources to the needs of its community, including Metropolitan College and other major partnerships in the metropolitan area.

- Each of the comprehensive universities made progress toward the goal of becoming universities with nationally recognized programs of excellence and nationally recognized applied research programs.
  - Each university developed one or more nationally recognized centers or programs:
    - Eastern Kentucky University: Justice and Safety.
    - Kentucky State University: Aquaculture.
    - Morehead State University: Institute for Regional Analysis and Public Policy.
    - Murray State University: Telecommunications Systems Management.
    - Northern Kentucky University: Center for Integrative Natural Science and Mathematics.
    - Western Kentucky University: Applied Research and Technology and Media for the Twenty-First Century.
  - All comprehensive universities:
    - Strengthened their undergraduate, graduate and professional programs as measured by assessments such as the National Survey of Student Engagement and student performance on professional licensure examinations.
    - Diversified funding sources through increased private giving and endowments.

- The mission of all the comprehensive universities is now more focused on uplifting the education attainment and quality of life in their regions. The changes at each university reflect the unique needs and conditions within their regions. One of the more prominent examples is the national recognition gained by Northern Kentucky for "stewardship of place" – the partnership of the university with regional business, civic and educational leaders in shaping a new vision for the future of Northern Kentucky. Based on the NKU example, the 2006 General Assembly appropriated funds to support "regional stewardship" initiatives at all the comprehensive universities.

- The establishment of KCTCS is the most visible accomplishment of HB 1. Fourteen community colleges and 15 technical institutions have been consolidated into 16 comprehensive community and technical colleges to create a dynamic statewide system. KCTCS gets high marks for responsiveness to workforce and employer needs across the Commonwealth and is now the largest provider of postsecondary education and workforce training in Kentucky.

- Senate Bill 1 related to adult education, including the transfer of Kentucky Adult Education (KYAE) to the Council on Postsecondary Education, led to one of the most respected adult education programs in the nation:
  - Enrollments in Kentucky Adult Basic Education increased from 31,685 in 1996 to 124,801 in 2005.
  - Kentucky was third in the nation in the percentage change from 1990 to 2005 in GEDs awarded to students ages 16 to 18 (an indication of the significant role of adult education in serving high school dropouts).
  - GED graduates enrolling in postsecondary education within two years increased from 12 percent in 1998 to 19 percent in 2002.[3]

[3] Concerns about the need to ensure that students earning a GED are prepared for college have led Kentucky Adult Education within the Council on Postsecondary Education to introduce reforms in the *New Framework.*

Endowment Match Program ("Bucks for Brains")

Through the leadership of the governor, legislators and the Council on Postsecondary Education, the 1998 General Assembly established a new initiative, the Endowment Match Program ("Bucks for Brains"), within the Research Challenge Trust Fund and the Regional University Excellence Trust Fund. The purposes of Bucks for Brains were to provide incentives for significant increases in non-state funding to enhance research funding, increase the number of endowed chairs and professorships and expand the commercialization of research and related business development.[4] The Bucks for Brains Program has never been codified as an ongoing statutory initiative but has been authorized by language in biennial appropriations. The funding, whether from general fund appropriations or the proceeds from bond sales, has been allocated through either the Research Challenge Trust Fund for UK and U of L or the Regional University Excellence Trust Fund for the comprehensive universities.

Because the funds have been allocated through these trust funds, their distribution has been determined by statutory formulas established in HB 1 applicable to these funds. The formula for the Research Challenge Trust Fund is that two-thirds of the funds must go to the UK and one-third to the U of L. The formula for the Regional University Excellence Trust Fund establishes that funds must be allocated to each university based on the institution's general fund appropriation as a percentage of total appropriations for these universities. Questions have been raised consistently about both of these formulas. The formula for the research universities is questioned because it does not reflect differences in performance and the capacity of the institutions to raise matching funds. The allocation formula for the comprehensive universities is questioned because the basis of general fund appropriations does not reflect significant differences in "public funds" (state appropriations and tuition revenue) among the universities.

No statutory limitations are in place for the distribution of "Bucks for Brains" between the research universities and comprehensive universities. A consistent concern is that including the comprehensive universities in the program—which was initially designed to enhance research capacity—indirectly encourages "mission creep" by the comprehensive institutions toward a research university mission.

In the biennium of "Bucks for Brains," 1998-2000, the General Assembly appropriated $110 million: $100 to the research universities (distributed two-thirds to UK and one-third to U of L), and $10 million to the comprehensive universities. In 2000-2002, the General Assembly appropriated another $100 million for the research universities and $20 million for the comprehensive universities. Because of the budget impasse in the 2002-2004 biennium, no additional funds were made available for "Bucks for Brains" until the 2003 short legislative session. In this session, the General Assembly authorized the issuance of bonds in the amount of $120 million: $100 million for the research universities and $20 million for the comprehensive universities. Because funds remained in the trust funds that had yet to be matched, no additional requests for "Bucks for Brains" funding were considered until the proposals leading to the 2008-2010 biennium.

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[4] Council on Postsecondary Education, *Ten Year Anniversary Assessment of Kentucky's "Bucks for Brains" Initiative,* Draft October 2007.

Meanwhile, the state's investment of $350 million to date in "Bucks for Brains" has yielded $350 million in matching funds for a total increase of $700 million in the core capacity of the institutions. For the 2008-2010, the CPE is requesting an additional $200 million: $150 million for the research universities ($100 million for UK and $50 million for U of L), $40 million for the comprehensive universities, and for the first time, $10 million for KCTCS.

The results of "Bucks for Brains" are striking:

- Kentucky's public universities raised significant private funds through the endowment match program. Institutional match funds from 1997 to 2007 were $282,220,481 (plus $28.5 million in additional pledges). These included:
    - University of Kentucky: $153,722,882
    - University of Louisville: $82,731,805
    - Eastern Kentucky University: $10,213,837
    - Kentucky State University: $1,745,683
    - Morehead State University: $6,645,655
    - Murray State University: $8,380,683
    - Northern Kentucky University: $8,033,753
    - Western Kentucky University: $10,746,183
- The market value of Kentucky's public university endowments grew from $454 million in 1997 to $1.5 billion in 2006, a 230 percent increase.
- Kentucky's public universities created 159 endowed chairs and 227 endowed professorships.
- Because of increased capacity, between 1997 and 2006, federal R & D expenditures at the research universities increased from $76 million to $222 million, or by 192 percent. Extramural R & D expenditures increased from $105 million to $327 million, or by 211 percent.

Summary

There has been significant progress toward the institutional capacity goals defined by the 1997 reforms. However, with only 12 years until 2020, the institutions face significant gaps between current performance and reaching their specific goals. Even as Kentucky develops stronger, nationally recognized institutions, questions remain regarding the impact of this increased capacity on the education of the Commonwealth's population and improvements in per capita income and quality of life.

2. Has performance improved in terms of preparing students for postsecondary education, ensuring their success throughout the education "pipeline"?

In addition to setting capacity goals, the 1997 reforms established an objective of developing a seamless system of postsecondary education that would have a long-term, positive impact on Kentucky's population and economy. More students would move successfully through the pieces of this system, or pipeline, to attainment of a postsecondary degree or credential. As the population's education attainment improved, the state's per capita income would increase to at or above the national average.

However, Kentucky continues to face considerable challenges in this area as its education pipeline leaks at every seam.

The Education Pipeline

The success of postsecondary reform depends fundamentally on getting more students through the education pipeline. Evidence underscores that this pipeline begins at birth with the conditions of mother and child and continues with early care and education for children ages 0 to 3 and pre-school for children ages 3 to 5 to ensure that children arrive at first grade healthy and ready to learn. In terms of likelihood that a child will pursue postsecondary education, the transitions from elementary school to middle school and from middle school to high school are especially critical. This is when students and parents make important choices about staying in school and taking a rigorous curriculum, and gain greater understanding of the connection between doing well in school and pursuing postsecondary education and getting a good-paying job.

Other critical points in the pipeline include the transition from high school to postsecondary education, transfer from a two-year to a four-year institution, and, for an increasing number of students, pursuing a graduate or professional degree.

The pipeline is not necessarily linear: students who drop out of high school re-enter the system through adult education and job-specific training; students often stop-out of postsecondary education or reverse-transfer (return to a community college to complete an associate degree in a technical field even after completing a bachelor's degree).

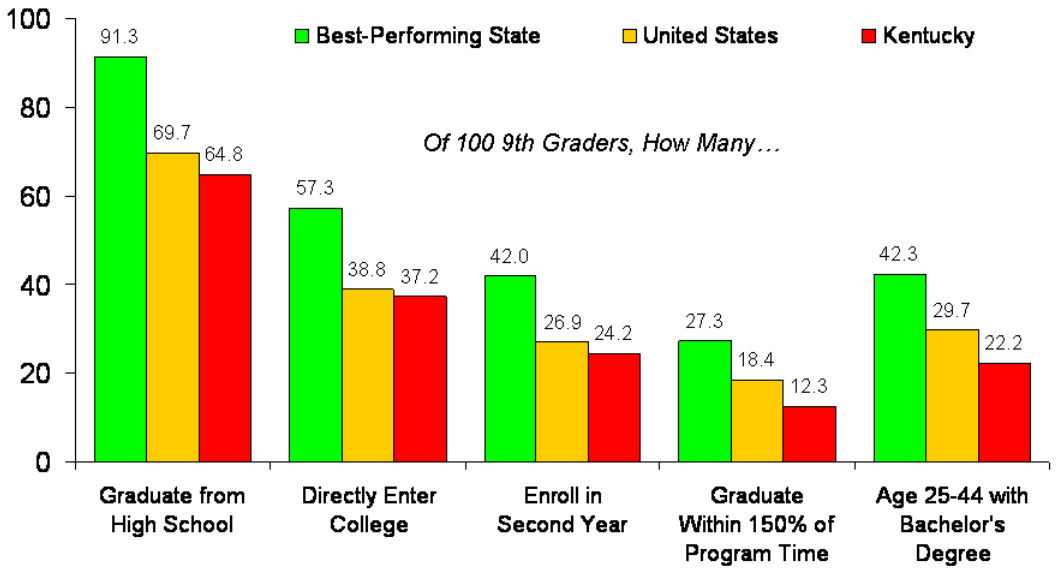
At a time when the state's working age population is declining, the education of the remaining adults is even more important to the state's ability to achieve its reform goals and sustain economic growth. Adult education is a critical means to overcome the consequences of leaks in the education pipeline. A high percentage of Kentucky's adult population did not complete high school, completed some postsecondary education but did not obtain a degree, or requires additional training to meet workplace demands for improved high-level skills and knowledge.

The following analysis of Kentucky's education pipeline emphasizes the transitions from grade nine through a postsecondary education degree and for adults without a high school diploma or equivalent through to a postsecondary education credential.

Kentucky's education pipeline compared to other states

Figure 4 compares Kentucky's education pipeline to the U.S. average and best performing states.[5]

FIGURE 4
Kentucky Education Pipeline
Compared to the U.S. and Best Performing States



Source: Tom Mortenson, public high school graduation rates and college-going rates of students directly from high school, 2004; NCES, IPEDS Fall 2004 retention rates and 2004 Graduation Rate Survey; U.S. Census Bureau, 2005 ACS

[5] NCHEMS uses pipeline data from Tom Mortenson because they are derived from national data sources that we have found to be reasonably stable over time. Others such as *Education Week* and the Manhattan Institute also publish pipeline data, especially comparisons of state high school graduation rates. All these methodologies have similar weaknesses. They do not fully account for inter-state migration or attendance at non-public schools. Nonetheless, we have found that these conditions are sufficiently similar across states that they do not significantly undermine the basic comparative picture.

Kentucky has a long way to reach the national average, much less the level of the best-performing states. Of 100 Kentucky 9th graders:

- Only 65 complete high school in four years.[6]
- Only 37 directly enter college.
- Only 24 enroll in a second year.
- Only 12 complete either an associate degree in three years or a bachelor's degree in six years.

That final number for the nation as a whole is 18, and the top-performing states more than double (28 vs. 12) the number of Kentucky students who get through the pipeline in a timely manner.

High School Graduation

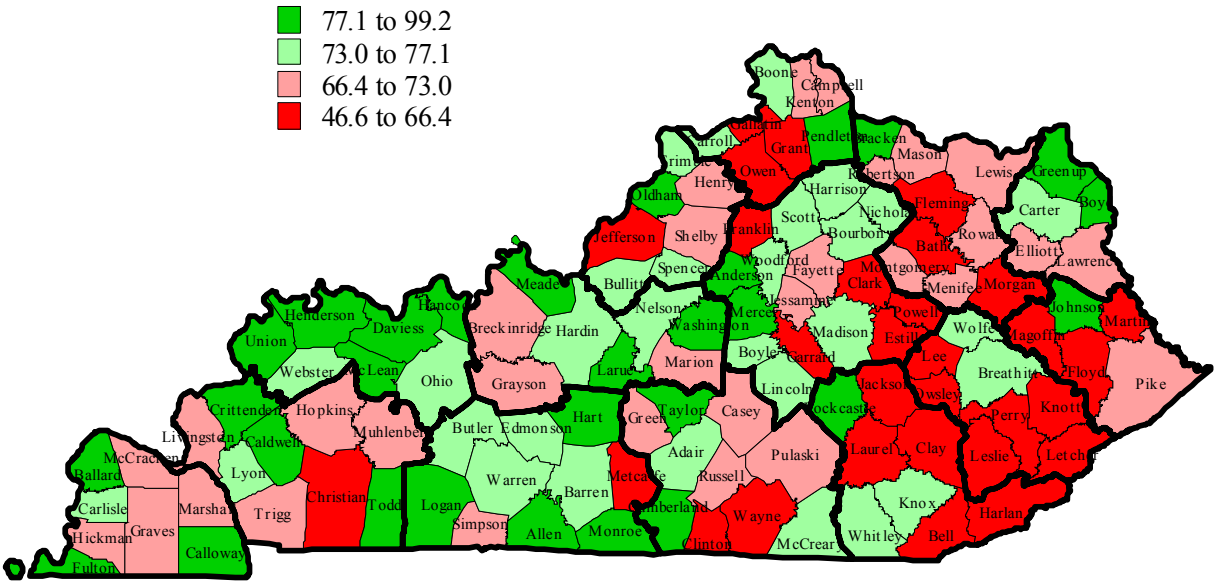
The most basic measure of postsecondary preparation is high school graduation. Sixty-five percent of 9th graders in Kentucky graduate within four years, compared to 70 percent nationally. But there is even more variation across counties in Kentucky than across all 50 states (Figure 5). Less than half of the students in Magoffin and Lee counties graduate within four years compared to more than 90 percent in Calloway, Oldham and Union counties.

Kentucky was third in the nation in the percentage change from 1990 to 2005 in GEDs awarded to students ages 16 to 18—an indication of the significant role of adult education in serving high school dropouts.

GED graduates enrolling in postsecondary education within two years increased from 12 percent in 1998 to 19 percent in 2002.

[6] The actual high school graduation rate as established by the Kentucky Department of Education is higher than this figure, or 71.1 percent. The data from higher education researcher Tom Mortenson, however, are based on data available for comparisons among states. Although work is in process to develop new data definitions and sources, as of today, there are no precise national data on graduation rates available that can be used for interstate comparisons.

FIGURE 5
Public High School Graduation Rates (2005)



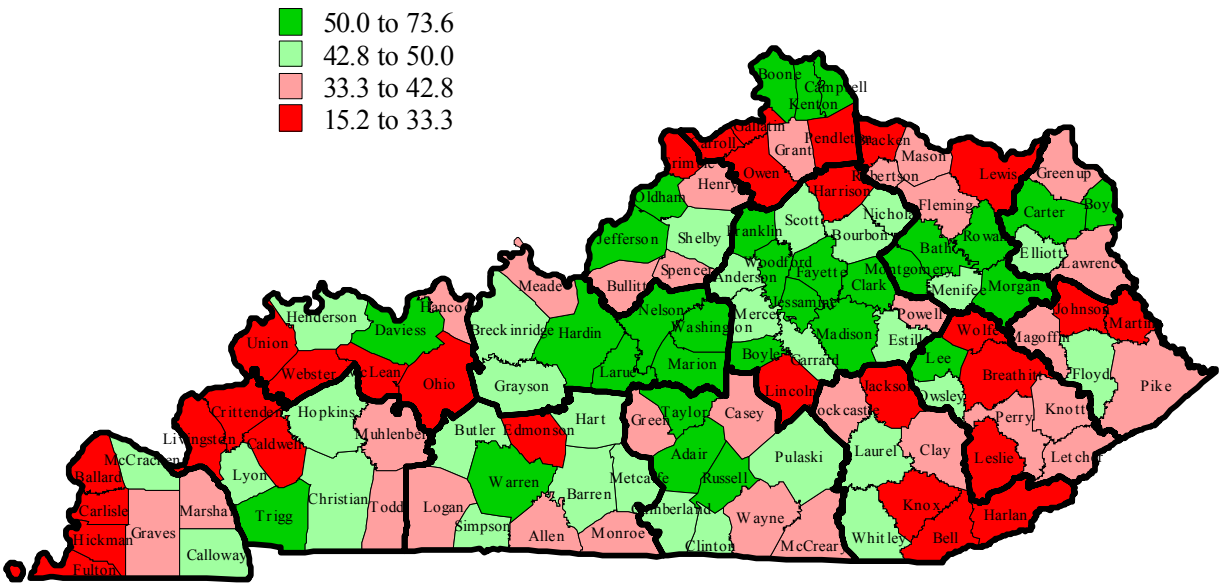
Source: NCES Common Core Data

Postsecondary Education Participation

If Kentucky students complete high school, they enroll in postsecondary education at higher rates than the U.S. as a whole. Kentucky also performs reasonably well compared to other states in two other measures of college participation: the percentage of part-time students enrolling and the percentage of the population 18-64 enrolling. The state has made significant improvements in the percentage of students with GEDs enrolling in postsecondary education. The disparities across counties on these performance measures are striking, however.

- College-going rates directly out of high school increased from 52.9 percent (below the national average of 58.5 percent) to 57.4 percent in 2004 (above the national average of 55.7 percent). Of note, however, is the vast disparity across counties in Kentucky – ranging from 15.2 percent in Leslie County to 73.6 percent in Kenton County (Figure 6).

FIGURE 6
In-State College-Going Rate (2005)



Source: CPE

- Part-time undergraduate enrollments as a percentage of the population ages 25 to 44 increased from 3.9 percent in 1996 to 6.0 percent in 2004, close to the national average of 6.5 percent.
- The percent of the total population ages 18 to 64 enrolled in college increased from 7.4 percent in 1996 to 9.1 percent 2004, compared to the national average of 9.4 percent. GED graduates enrolling in postsecondary education within two years increased from 12 percent in 1998 to 19 percent in 2002.

Preparation for Postsecondary Education

The performance of Kentucky's elementary and secondary education system has improved significantly over the past decade as a direct reflection of the 1990 Kentucky Education Reform Act. Despite the improvement, Kentucky continues to lag behind the nation in several areas.

- The percentage of 9th and 12th graders taking upper-level math increased from 47 percent in 1996 to 53.4 percent in 2003, compared to the national average of 53.1 percent.
- The percentage of 8th graders performing at or above proficient in math on the National Assessment of Education Progress (NAEP) increased from 10 percent (compared to 15 percent for the U.S.) in 1990 to 22 percent in 2005 (compared to 29 percent for the U.S.), improving the state's national ranking from 44th to 39th.

- The percentage of 8th graders performing at or above proficient in science on NAEP increased from 23 percent (compared to 27 percent for the U.S.) in 1996 to 29 percent in 2000 (close to 30 percent for the U.S.), improving Kentucky's national ranking from 35th to 33rd.

- The percentage of 8th graders performing at or above proficient in reading on NAEP increased only slightly from 29 percent (compared to 31 percent for the U.S.) in 1996 to 31 percent in 2000, while the U.S. percentage dropped slightly to 29 percent.

Despite improvements in K-12 performance, recent high school graduates and returning adults are both significantly under-prepared for postsecondary education. Students who enter postsecondary under-prepared must enroll in developmental, or remediation, programs and are much less likely than well-prepared students to ever obtain a postsecondary degree.

- High scores on the ACT or SAT per 1,000 high school graduates increased from 129.7 in 1999 to 155.5 in 2005, but still trailed the U.S. average of 184.5.

- Fifty-four percent of all Kentucky public college entrants were under-prepared in one or more subjects in 2004, compared to 53 percent in 2002. Forty-six percent of recent high school graduates (three-fifths of all entrants) were under-prepared in one or more subjects in 2004, compared to 48 percent in 2002.

- More than 90 percent of adult students entering postsecondary education in 2004 after completing GEDs in Kentucky were under-prepared (scored less than 17 on one or more ACT subject exams in math, English or reading, well below the recommended ACT score for college readiness).[7]

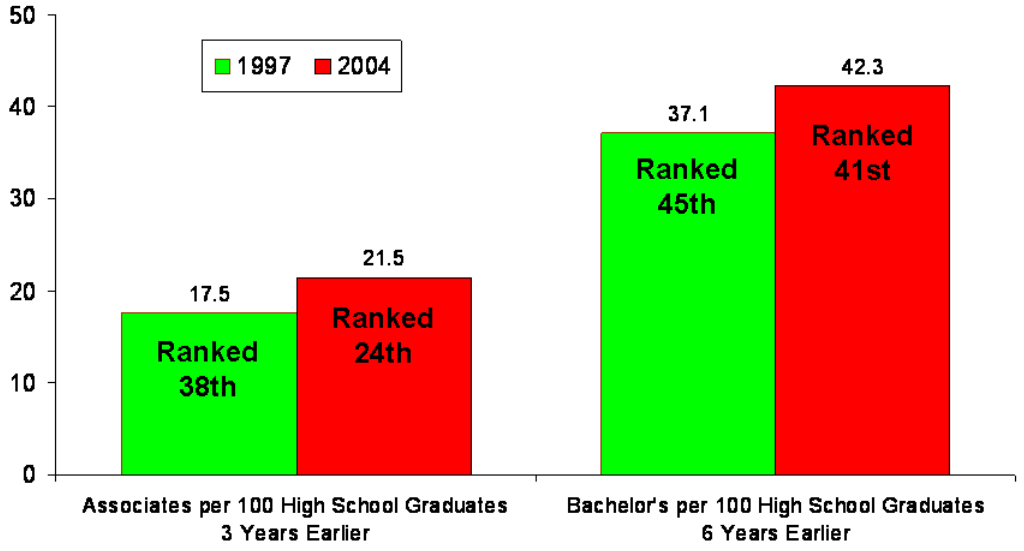
[7] CPE (2006). Development Education Update: The Preparation of Students Entering Kentucky's Public Colleges and Universities in 2002 and 2004, October 5, 2006, pp. 1-2, 9.

Degree completion

Kentucky lags far behind other states in the percentage of students who obtain either an associate degree in three years or baccalaureate degree within six years. The good news is that the state has made striking progress in completion rates at the associate degree level. At the bachelor's degree level, the progress has been much slower. But as Kentucky has improved so have other states.

- Kentucky's national ranking in production of associate and bachelor's degrees per 100 high school graduates changed only slightly from 1997 to 2004 (Figure 7).

FIGURE 7
Associate and Bachelor's Degrees Awarded per 100 High School Graduates
Three and Six Years Earlier, 1997 and 2004



Source: NCES, IPEDS Completions Survey and Common Core Data

- The most striking change can be seen in completion rates at the associate degree level.
  - Three-year associate degree graduation rates at KCTCS increased from 8.5 percent in 2001 to 16.7 percent in 2006 (below the national average of 29.3 percent).
  - Associate degrees awarded per 100 students enrolled in two-year public colleges increased from 17.5 in 1996 to 21.5 in 2006, changing the national rank from 38th to 24th in the U.S.
  - Retention rates for freshman returning the second year at two-year institutions increased from 55.1 percent in 1999 to 57.5 percent in 2006, above the U.S. average of 51.5 percent.

- Despite improvements, Kentucky continues to trail significantly in completion rates at the bachelor's degree level (Figure 8).
  - Retention rates for freshman returning the second year at four-year institutions increased from 75.2 percent in 1999 to 78.5 percent in 2006, slightly above the national average of 76.2 percent.
  - Bachelor's degrees awarded per 100 high school graduates increased from 37.1 to 42.3, an increase in national rank from 45 to 41.
  - At public four-year institutions, the six-year graduation rates at the bachelor's level increased from an average of 36.6 percent in 1998 to 46.7 percent in 2006, still trailing the national average of 55.8 percent. The most substantial gains were made by Murray State University and Kentucky State University.

FIGURE 8
Six-Year Graduation Rates at Four-Year Public Institutions

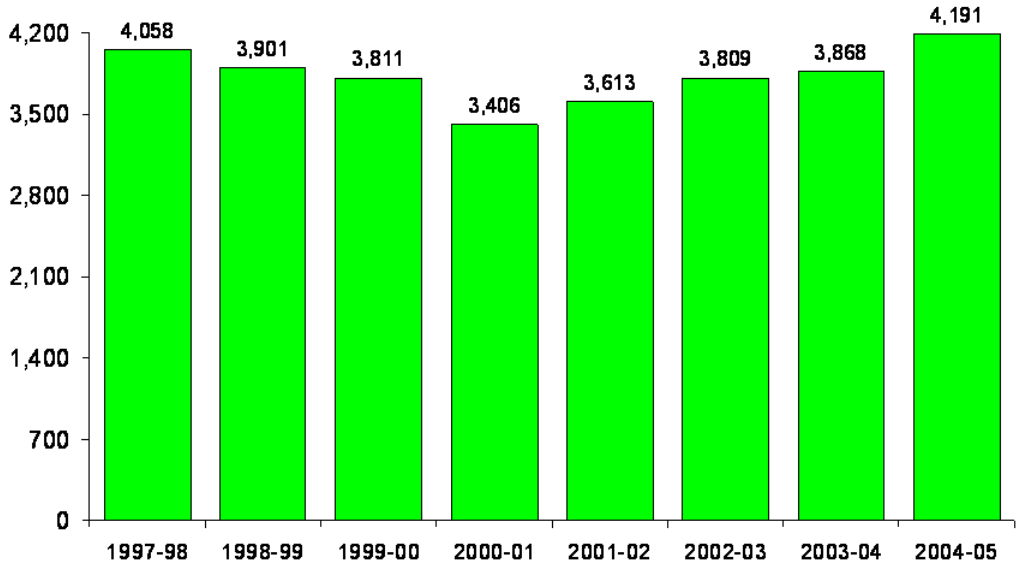
Institution	1998	1999	2000	2001	2002	2003	2004	2005	2006	%
Eastern Kentucky Univ.	26.8	31.2	31.0	37.2	33.1	37.1	33.5	36.9	35.4	
Kentucky State Univ.	17.7	31.3	31.1	33.3	27.2	39.0	29.5	28.8	31.8	
Morehead State Univ.	40.0	43.5	39.4	45.4	43.8	44.2	37.9	41.6	42.7	
Murray State Univ.	38.5	40.9	46.3	55.0	55.4	56.3	57.3	56.6	56.2	
Northern Kentucky Univ.	29.3	32.3	35.4	40.7	37.8	33.3	40.5	40.9	40.1	
Univ. of Kentucky	50.9	52.6	55.5	57.2	57.8	61.1	59.6	59.8	59.1	
Univ. of Louisville	30.0	31.6	30.7	33.3	32.8	34.9	33.1	36.7	40.6	
Western Kentucky Univ.	39.1	37.9	41.7	40.7	41.0	43.4	44.5	45.5	49.1	
System	**36.6**	**39.4**	**40.9**	**44.1**	**43.5**	**45.3**	**44.3**	**45.4**	**46.7**	

Source: CPE

Transfers from KCTCS

The number of students transferring from KCTCS to public four-year institutions has increased only slightly since enactment of the House Bill 1 (Figure 9). Overall, only 9.6 per 100 full time students at KCTCS transferred to public four-year institutions in 2004-2005 (Figure 9).

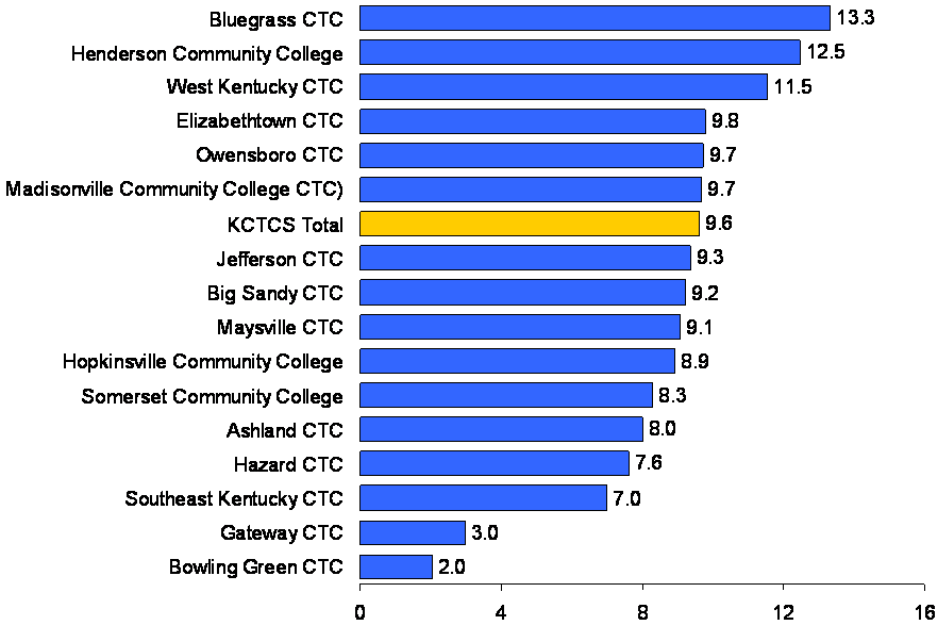
FIGURE 9
Transfer Students from KCTCS to Public Four-Year Institutions, from 1997-98 to 2004-05



Source: Kentucky Council on Postsecondary Education Comprehensive Database

The transfer rates vary dramatically among the KCTCS campuses (Figure 10). The low transfer rate at Gateway Community and Technical College reflects the reality that this is a new institution and most of the students had not yet completed sufficient course work to transfer as of 2004-2005. The other variation reflects differences among colleges in the emphasis on technical certificate-level programs compared to academic transfer programs.

FIGURE 10
Transfers to Four Year Institutions per 100 Full Time Students – Fall 2006
Student Pipeline, 2004



Source: KY Council on Postsecondary Education Database

Neither Figure 9 nor 10 shows the important role that independent and other non-Kentucky public (including out-of-state) institutions play in providing transfer opportunities for KCTCS students. Most Kentucky postsecondary students, whether those directly out of high school, returning adults or students transferring from KCTS to four-year institutions, attend institutions within their home regions. Most KCTCS transfers occur with four-year public and independent institutions in their immediate area.

Summary

While Kentucky has made progress toward the institutional capacity goals of HB 1, it has made far less progress toward the goal of a seamless postsecondary education system. In other words, the pieces of the system are stronger, but they must significantly improve the way they work together – as a system. The major leaks that now exist are:

- Low high school completion rates.
- The gap between the requirements for high school graduation or a GED and the level of preparation needed for postsecondary-level study.
- Low degree completion rates at the associate and bachelor's levels.
- Low transfer rates from KCTCS and universities.

Statewide averages on any of these "leak points" mask vast disparities among the regions of the state.

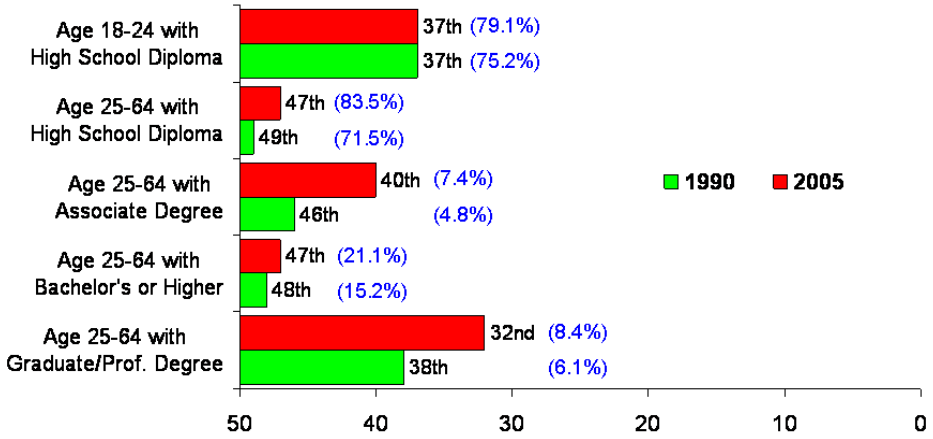
3. Has postsecondary education contributed to the ultimate goal (Goal B) of moving Kentucky's educational attainment and per capita income closer to the national average?

Education attainment

Kentucky has made progress, but other states have also improved. The result is that Kentucky's position relative to the national average has changed little over the past decade.

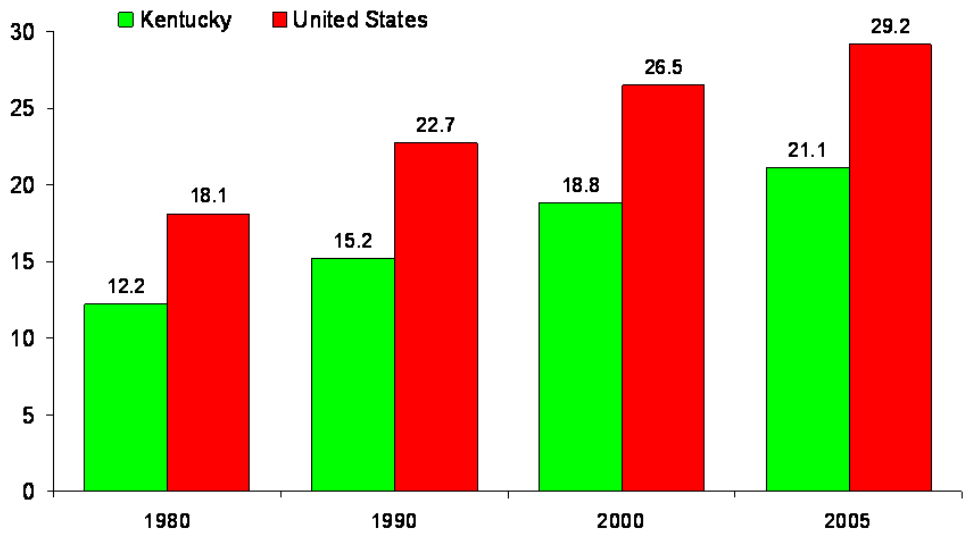
- College attainment—the proportion of working-age Kentuckians (ages 25 to 64) holding a college degree—has increased since 1997. The most significant increases in percentage points and rank between 1990 and 2005 were in the number of Kentuckians with an associate degree and graduate or professional degree.

FIGURE 11
Educational Attainment and Rank Among States—Kentucky, 1990 and 2005



Source: U.S. Census Bureau, 2005 American Community Survey (ACS)

FIGURE 12
Percent of Adults Age 25-64 with a Bachelor's Degree or Higher Compared to U.S. Average, 1980-2005



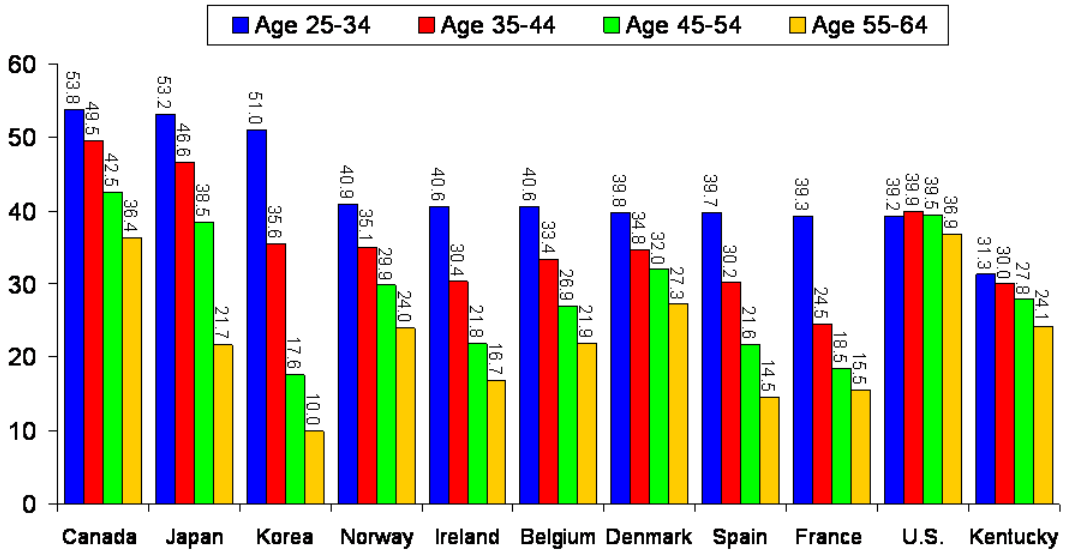
Source: U.S. Census Bureau, Decennial Census and 2005 American Community Survey

International comparisons

- Because of increasing global competition, it has become customary to compare state and regional economies to the foreign economies with which they compete. Educational attainment is the best measure researchers have for the competitiveness of a workforce. As a state, Kentucky trails 14 other member countries in the international Organisation for Economic Co-operation and Development (OECD) [8] in the percentage of young adults with college degrees, associate and higher.

[8] OECD, the Organisation for Economic Co-operation and Development, is an organization of most of the world major industrialized democracies. It is the source of the most widely used comparative statistics on education performance, *Education-At-A-Glance*. See www.oecd.org

FIGURE 13
Percent of Adults with an Associate Degree or Higher by Age Group—Kentucky, U.S. and Leading OECD Countries, 2005



Source: *Education at a Glance 2007*, Organisation of Economic Co-operation and Development (OECD), 2005 American Community Survey (ACS)

The education levels in the majority of Kentucky's counties mirror those of some of the least-educated OECD countries (Figure 14), and only Fayette and Oldham counties are at or above the U.S. average. The ability to attract new business and industry in many parts of the state is severely limited by the low education levels of the workforce.

FIGURE 14
Percent of Adults Age 25-34 with College Degrees (Associate and Higher)

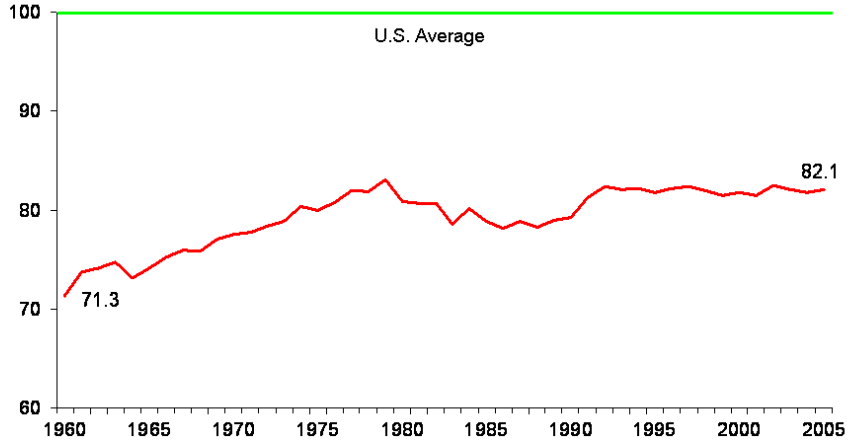
Kentucky Counties	%	OECD Counties
	54	Canada
	53	Japan
	51	Korea
Fayette	50	
	41	Norway • Ireland • Belgium
	40	Denmark • Spain
Oldham	39	UNITED STATES • France
	38	Australia • Finland
Jefferson	37	Sweden • Luxembourg
Campbell – Calloway	36	Iceland
Boone	35	Netherlands • United Kingdom
Warren – Kenton – Woodford	34	
Madison – Jessamine – Rowan	32	
KENTUCKY – Scott – McCracken	31	Switzerland • New Zealand
Shelby	30	
Larue – Daviess – Franklin	28	
	26	Poland
Boyle – Taylor – Simpson – Hardin – Boyd – Henderson	25	Greece
Marshall – Washington – Bracken – Anderson – Spencer	24	
Carlisle – Mason – Union – Mercer – Greenup – Trigg	23	Germany
Russell – Clark – Meade		
Graves – Ballard – Montgomery – Adair	22	
Robertson – Bourbon – Bullitt – Hancock – Nelson Crittenden	21	
Garrard – Johnson – Bath – Fleming	20	Austria • Hungary
Marion – McLean – Knott – Ohio	19	Portugal
Pulaski – Barren – Henry – Owsley – Cumberland	18	Mexico
Christian – Whitley		
Muhlenberg – Lyon – Hickman – Pike – Livingston – Carter	17	
Lincoln – Harlan		
Green – Estill – Todd – Trimble – Breathitt – Monroe – Perry	16	Slovak Republic • Italy
Elliott – Hopkins – Floyd – Carroll – Letcher – Grant		
Hart – Webster – Logan – Nicholas – Laurel – Clinton	15	
Harrison – Allen		
Breckinridge – Martin – Wolfe – Caldwell – Menifee	14	Czech Republic
Casey – Rockcastle – Butler – Bell – Leslie	13	
Pendleton	12	Turkey
Lewis – Wayne – Magoffin – Morgan – Grayson – McCreary	11	
Lawrence – Powell – Knox		
Owen – Jackson – Metcalfe – Fulton	10	
Edmonson – Gallatin	9	
Clay – Lee	7	

Sources: U.S. Census Bureau, Organisation for Economic Co-operation and Development

Per capita income

- Per capita income has increased at the same rate as that for the nation as a whole. Kentucky is running harder to stay in place. The important point, however, is that in the period since 1997, Kentucky's per capita income as a percentage of the national average has remained the same at 82.1. In contrast, in the same period, the per capita income as a percentage of the national average *decreased* in Indiana from 92.5 percent to 90.3 percent and in Ohio from 96.5 percent to 92.4 percent. Postsecondary reform arguably contributed to Kentucky's ability to avoid the decline experienced by neighboring states.

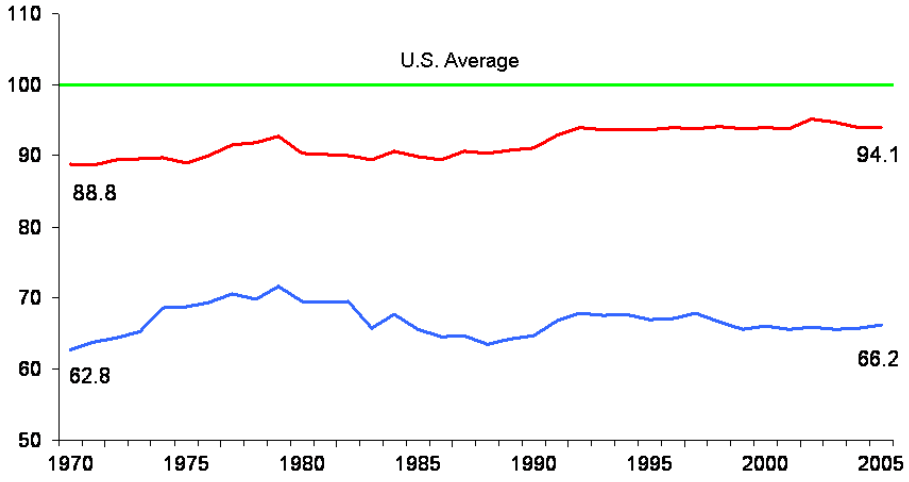
FIGURE 15
Per Capita Personal Income as a Percent of U.S. Average—Kentucky, 1960-2005



Source: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce

- Per capita income varies enormously from one part of Kentucky to another. It approaches the national average in the urban parts of the state, but is only two-thirds of the national average in the rest of Kentucky.

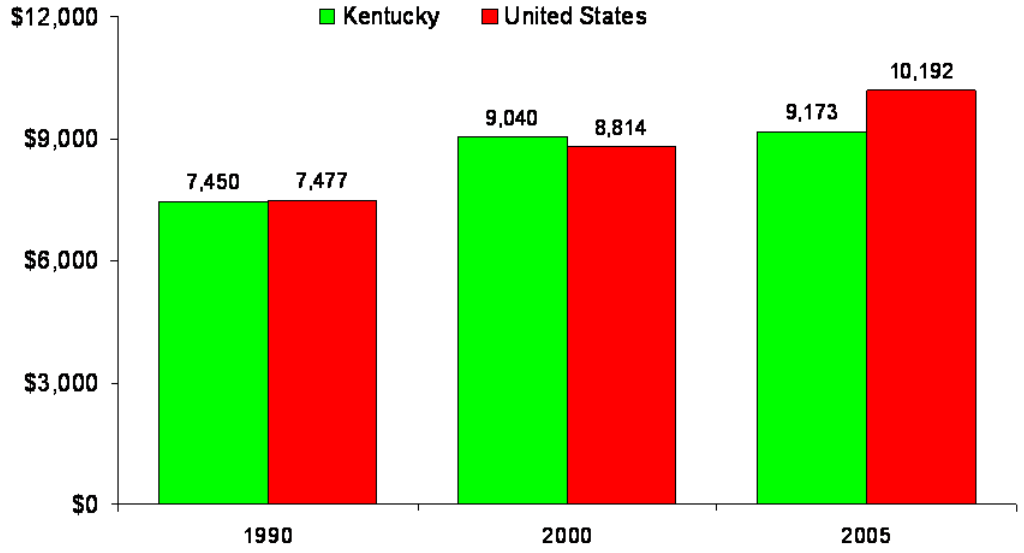
FIGURE 16
Kentucky Metro and Rural Area Per Capita Personal Income as a Percent of U.S. Average, 1970-2005



Source: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce

- The difference in earnings of individuals with an associate or baccalaureate degree compared to only a high school diploma has remained essentially the same over the past decade, while the economic benefits of earning a degree have significantly increased at the national level (Figures 17 and 18).

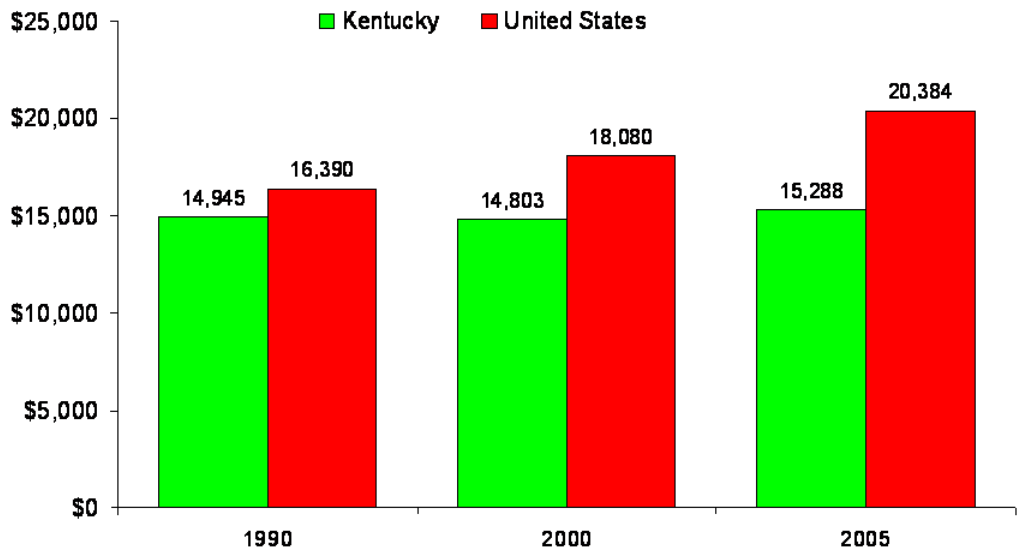
FIGURE 17
Difference in Earnings Between a High School Diploma and an Associate Degree*—Kentucky Compared to U.S. Average



* 1990 and 2000 CPI Adjusted

Source: U.S. Census Bureau, Decennial Census and 2005 American Community Survey

FIGURE 18
Difference in Earnings Between a High School Diploma and a Bachelor's Degree*—Kentucky Compared to U.S. Average

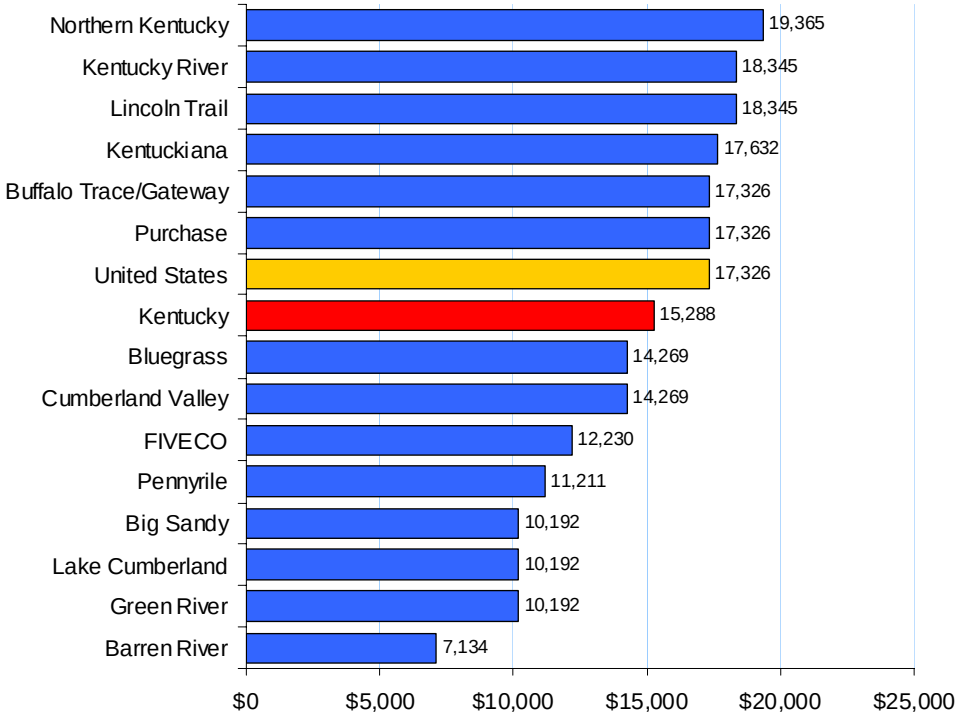


* 1990 and 2000 CPI Adjusted

Source: U.S. Census Bureau, Decennial Census and 2005 American Community Survey

- There are marked differences among regions of Kentucky in the benefits in terms of additional income for those with higher levels of education. The increase in earnings from a high school diploma to a bachelor's degree ranges from $7,134 in the Barren River region to $19,365 in the Northern Kentucky region (Figure 19).

FIGURE 19
Difference in Median Earnings Between a Bachelor's Degree and a High School Diploma (2005)

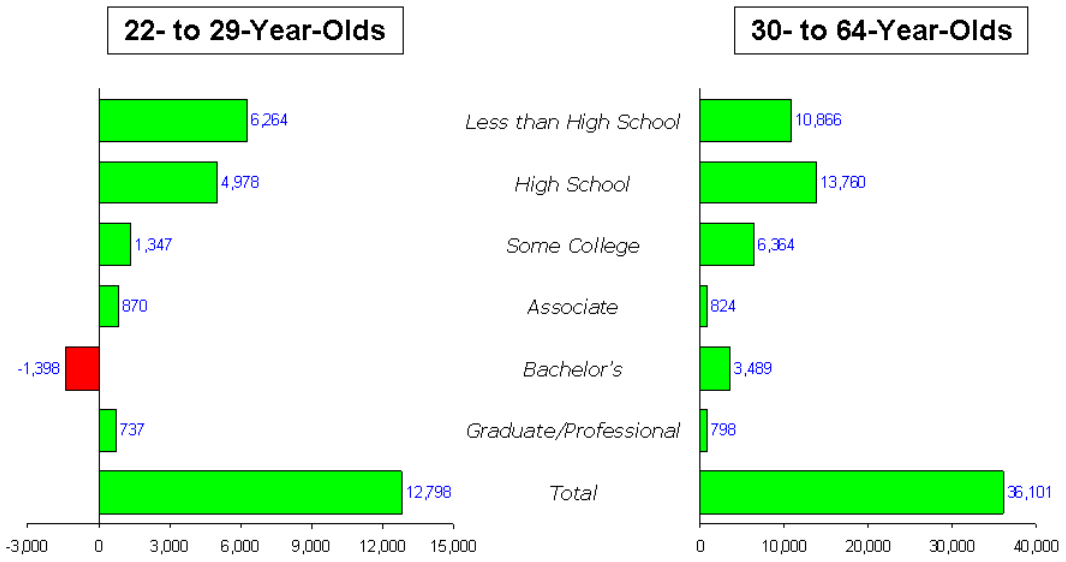


Source: U.S. Census Bureau, 2005 American Community Survey

Net-migration related to education level and age

- An indicator of the strength of a state's economy is the extent to which the state has net-migration of more highly educated people (Figure 20). Overall, Kentucky imports more people in younger and older age groups who have a high school diploma or less. The state is a net loser of 22- to 29-year-olds who hold a bachelor's degree but a net gainer of degree holders among 30- to 64-year-olds.

FIGURE 20
Net Migration by Degree Level and Age Group—Kentucky



Source: U.S. Census Bureau, 2000 Census; 5% PUMS Files

Mixed signals on the demand for an educated workforce

The data summarized in figures 17, 18, 19, and 20 suggest that that the creation of highly skilled jobs in Kentucky is not keeping pace with the production of highly skilled workers. Getting more education leads to better earnings in Kentucky, but not at the level in other states. In addition, in many parts of the Commonwealth, the earnings differences between a high school diploma and a college degree are far less than the statewide average. Nevertheless, a series of focused CEO Dialogue Sessions conducted by KCTCS in every region of Kentucky found a high demand for qualified workers. The 306 session participants identified locating qualified employee applicants as one of the top three challenges facing Kentucky over the next five years. Two of the top three challenges facing business and industry over the next three years were a lack of a sufficient pool of qualified workers and limited availability of technically skilled employees. The KCTCS report cites the dramatic changes in the state's workforce as a critical dimension of the challenge.

By 2025, Kentucky's working-age population will decline by 7 percent, while the number of citizens 65 years and older will increase more than 64 percent. We face a potential loss of 100,000 workers as Baby Boomers retire. The majority of jobs and careers they leave behind will require workers with specialized training, degrees and certificates, most at the two-year college level.

The categories identified as *not* having a large enough pool of qualified candidates in the next 18 months and the next three years were those that require postsecondary education: qualified trade/technically-skilled candidates and supervisory level candidates. The top five occupational areas in which regions are facing the most severe employee shortages

all require postsecondary education: nursing, medical technical professions, teachers/educators, skilled trades-electrical, HVAC, etc.; and information technology.[9] Similarly, the CPE report, *Kentucky's Science, Technology, Engineering, Mathematics Imperative: Competing in the Global Economy*, cites growing challenges in meeting the demand for highly qualified candidates in fields pertaining to science, technology, engineering and mathematics, especially teachers of math and science and health professionals.[10]

Kentucky faces both a *workforce* development problem and a *workplace* development problem. It must increase dramatically the quantity and quality of persons with postsecondary-level knowledge and skills to create a pool of qualified candidates necessary to meet the needs of employers seeking to gain a competitive edge in the knowledge and innovation-based economy. At the same time, the state needs to accelerate the growth of an economy *in all regions* that will employ a highly skilled workforce. Except in certain professional fields such as education and the health professions, the current demand is primarily at the associate degree and certificate level. The challenge in the quest to achieve the ultimate goal of HB 1 (Goal B) is to continue to grow an economy that will attract and retain a population educated at the bachelor's degree level and above.

Summary

Over the past 10 years, Kentucky's education attainment and per capita income have improved, but the improvement has not happened quickly enough to make progress toward the goal of reaching or exceeding the national average. The challenge is made even more difficult as other OECD countries move further ahead of Kentucky in the education attainment of their younger populations.

On a positive note, however, since the enactment of postsecondary reform, Kentucky's per capita income as a percentage of the national average has remained the same in contrast to the sharp declines in neighboring states.

There is growing evidence of increased demand for a better-educated workforce, but that demand is primarily for certificate and associate's degrees rather than bachelor's degrees and above. Kentucky must give high priority to *workplace* development – creating jobs by linking higher education to an innovation-based economy – as an essential complement to *workforce* development – getting more youth and adults through the education pipeline. Without an economy to employ a college-educated workforce, it will not be possible for Kentucky either to retain its college graduates or to attract college graduates through in-migration.

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[9] KCTCS (2007). *In the Eye of the Storm: Confronting Kentucky's Looking Workforce Crisis.*

[10] Council on Postsecondary Education (2007). *Kentucky's STEM Imperative Competing in the Global Economy.*

4. Are the goals still valid?

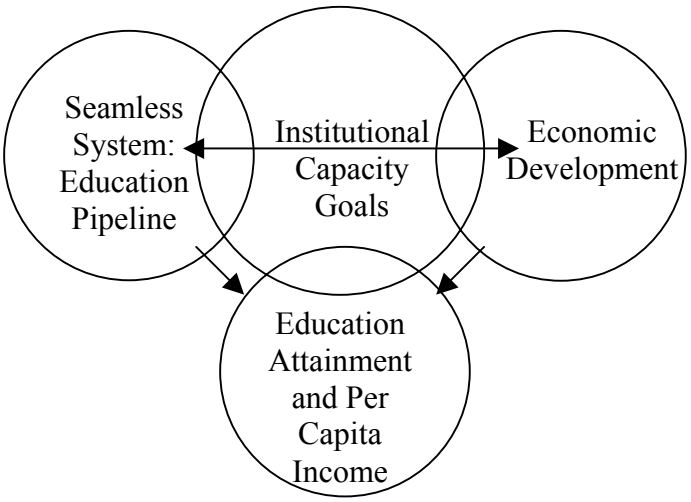
As emphasized earlier, there are two interrelated goals of postsecondary reform:

- Institutional capacity goals and the sub-goals related to each of the major postsecondary sectors and adult education (Goal A)
- The ultimate goal of increasing the Commonwealth's education attainment and per capita income to a level that meet or exceed the national average (Goal B)

Goals A and B remain valid and are even more important to the future of Kentucky than when they were adopted in May1997. Many pieces of the program are in place and doing well, but the state will need to work aggressively to reach the national average of education attainment. The state must seamlessly integrate its education agenda at all levels—beginning with early childhood and preschool and continuing through secondary, postsecondary, adult and lifelong learning. Throughout the process, the Commonwealth must clearly define and support strategies that make the connections between education and the development of a knowledge and innovation-based economy real and productive.

As noted earlier, the 1997 reforms created goals that were strategically inter-related.

FIGURE 21
Inter-Related Goals of Postsecondary Education Reform



The critical point is that Kentucky must link institutional capacity to both producing more graduates and contributing to innovation and economic development if the ultimate goals of higher education attainment and per capita income are to be achieved.

Review of Double the Numbers rationale

The Double the Numbers campaign spearheaded by the CPE captures the essence of the challenge facing Kentucky. The basic message is that Kentucky can reach the ultimate goals by 2020 if it intensifies and sustains progress between 2008 and 2020 on building institutional capacity and linking that capacity to getting more students through the education pipeline and creating a globally competitive, innovation-based economy.

The Double the Numbers campaign is based on a set of analyses that combine Kentucky's current position relative to the U.S. average in educational attainment, population projections of residents ages 25 to 64, current degree production by level and net migration of college degree-holders. The analysis takes into consideration significant demographic changes between now and 2020 such as the decline of the Baby Boom generation. The base population and educational attainment data are from the 2000 decennial census.

The analytical steps are well grounded. However, the conclusion solely emphasizes the production of bachelor's degrees, thereby diminishing the role of KCTCS and the need to improve performance in the production of associate degrees, certificates and diplomas. As discussed in the previous section, local economies in many Kentucky regions currently generate more demand for postsecondary training at levels below the baccalaureate. In the near term, combining associate and bachelor's degrees would be a better benchmark for the Double the Numbers campaign. As an innovation-based economy develops in Kentucky, the market should drive the mix of degrees, leading to a greater emphasis on those at the bachelor's level and above.

A recent study conducted by the National Center for Higher Education Management Systems (NCHEMS) for the Lumina Foundation for Education reveals that Kentucky needs to produce 324,288 additional degrees (associate and bachelor's) between 2005 and 2025 to reach the attainment levels of the most educated countries. When benchmarking to the current U.S. average, the picture is not as bleak. Kentucky would need to produce 119,796 additional degrees (associate and bachelor's) by 2025—considerably lower than the additional 211,000 bachelor's degrees called for in the CPE calculation. Both studies use essentially the same methodology. The exceptions are that the NCHEMS study combines both associate and bachelor's degrees and utilizes the period from 2005 to 2025 instead of from 2000 to 2020. Figure 22 summarizes each of these analyses.

FIGURE 22
Summary of Attainment Analyses

A. CPE Analysis for Kentucky to Reach U.S, Average in Bachelor's Attainment by 2020 (Bachelor's Only)	
Number of Individuals to Match U.S. Average in % with Bachelor's Degrees in 2020 (32.1%)	791,000
Number of Individuals (25 to 44) Who Already Have Bachelor's Degrees	(234,921)
Additional Residents with Bachelor's Degrees from Net Migration	(14,504)
Bachelor's Degrees Produced from 2000 to 2004	(64,770)
Bachelor's Degrees Produced at Current Annual Rate of Production from 2005 to 2020	(266,069)
Additional Bachelor's Degrees Needed by 2020 (Rounded)	**211,000**
B. NCHEMS/Lumina Analysis for Kentucky to Reach Best-Performing Countries by 2025 (Associate and Bachelor's)	
Number of Individuals to Match Best-Performing Countries in 2025 (55%)	1,235,942
Number of Individuals (25 to 44) Who Already Have Degrees	(353,170)
Additional Residents with College Degrees from Net Migration	(21,064)
Degrees Produced at Current Annual Rate of Production	(537,420)
Additional Degrees Needed by 2025	**324,288**
C. NCHEMS/Lumina Analysis for Kentucky to Reach U.S. Average Attainment by 2025 (Associate and Bachelor's)	
Number of Individuals to Match U.S. Average in 2025 (45.9%)	1,031,450
Number of Individuals (25 to 44) Who Already Have Degrees	(353,170)
Additional Residents with College Degrees from Net Migration	(21,064)
Degrees Produced at Current Annual Rate of Production	(537,420)
Additional Degrees Needed by 2025	**119,796**

In all three scenarios in Figure 22, degree production must increase dramatically to meet the ultimate goal of HB 1 (Goal B). In summary, Kentucky would have to produce the following number of degrees over the current rate of production under each scenario:

- Scenario A: 211,000 degrees or an increase of 79 percent from the current annual rate of production
- Scenario B: 324,288 degrees or an increase of 61 percent from the current annual rate of production
- Scenario C: 119,796 degrees or an increase of 22 percent from the current annual rate of production

All three scenarios emphasize that Kentucky must also develop an innovation-based economy that will attract many more residents with college degrees.

Based on this analysis, it is recommended that the Kentucky Chamber's Postsecondary Education Task Force support the Double the Numbers campaign while expanding the 2020 education attainment goals to include both associate's and bachelor's degrees. The Task Force should also pursue more aggressive goals to reach globally competitive levels of educational attainment by 2025.

Review of institutional capacity goals

The institutional capacity goals (Goal A) remain critical to achieving the ultimate goal (Goal B) of postsecondary reform. Nevertheless, two changes are recommended to clarify and strength the goals.

The first would be a statutory change to focus the comprehensive universities on the mission of "regional stewardship." The proposed mission of regional engagement, discussed later in this report, does not imply that these institutions should be narrow or parochial in their focus. It is important that they be "regionally engaged, but globally connected." To more accurately reflect that mission, the statutory change would also replace the word "regional" with "comprehensive" as the legal description of these institutions.

The second change would be to establish metrics and a basis for public accountability of each sector and institution for progress toward the specific goal (Goal A) that the institution must achieve by the year 2020. The current statute gives only the University of Kentucky a clearly measurable target of becoming a top 20 public research university. Instead of making statutory changes, the development of these metrics should take place in the process of shaping the multi-year agreements between the CPE and each institution based in part on the institutional business plans.

Summary

The goals of reform remain important to the future of Kentucky. The Commonwealth's business, civic, education and policy leaders must continue to marshal and sustain support for both goals of postsecondary reform: Goal A, related to developing institutional capacity, and the ultimate goal, Goal B, related to education attainment and per capita income. Support for the Double the Numbers campaign is a critical means to achieving these goals, but the challenges facing Kentucky to achieve a competitive standing in the global, innovation-based economy are even more daunting than the CPE estimates. Nevertheless, perseverance and performance improvements across the system will enable Kentucky to meet these challenges.

5. What are the barriers to progress?

Despite perceptions that reform has made a difference, the following barriers to achieving the goals of the 1997 reform have been identified:

- **Lack of alignment**. Although progress has been made, appropriate connections – also called alignment – do not exist between and among all levels of education to ensure the success of students. A striking example of this is the misalignment of the state assessment for high school students, the Commonwealth Accountability Testing System or CATS, with the expectations for postsecondary-level study. Another is inconsistent policies governing the transferability of credits earned at KCTCS institutions to universities.
- **Weak links between postsecondary education and state and regional economic development.** Kentucky can achieve its goals only if there is an intensified effort to develop a state economy that employs a highly educated population. In addition to getting more students through the education pipeline to degrees, the state must create jobs that keep and attract college-educated residents.
- **Inadequate policy leadership and coordination.** The state policy leadership and coordinating structure established in HB 1 is not working as intended, and the history of the budget process from 1997 through 2007 shows a steady drift away from a strategic alignment with the reform goals. If Kentucky is to achieve the goals of HB 1, coordination, discipline and accountability must be restored. There is widespread agreement that the re-establishment of the CPE as an effective entity is essential to the future of postsecondary reform. Most of those interviewed also agree that a new entity is needed to perform the intended purposes of SCOPE to ensure that the state's elected leaders are fully engaged in the development of the strategic agenda and budgetary framework. To ensure alignment between funding and the pursuit of the reform goals, Kentucky must recommit to the principles of fiscal policy of HB 1.
- **Threats to affordability.** Students and families are bearing a higher percentage of the cost of postsecondary education. In relationship to family incomes in Kentucky, the Commonwealth's postsecondary system remains reasonably affordable for *full-time* students. Nevertheless, serious gaps exist in affordability for part-time and independent students. Participation and success in postsecondary education, especially for first-generation students, is seriously hampered by lack of effective guidance and counseling of students beginning as early as 7th and 8th grade, the lack of incentives for students to take the right courses and stay in school to prepare for college, and the complexity of the student aid programs. Kentucky needs a major overhaul of its policies to ensure affordability of postsecondary education for all qualified Kentucky students—both youth and adults.
- **Comparatively low productivity.** The challenge of meeting the 2020 goals, both developing institutional capacity (Goal A) and the ultimate goal (Goal B), will require a substantial additional investment. It is unrealistic to assume that these resources will come only from additional state appropriations. The cost of reform should not be shifted primarily to students and families. Additional funding from private sources (e.g., endowments) will be insufficient to fill the gap. This leaves no alternative but to make significant sustained improvements in the productivity of the

postsecondary system, that is, a significant increase in degree production in a more cost-effective manner. Kentucky produces comparatively fewer bachelor's degrees for the level of funding than other states. No single solution is available to tackle the productivity gap. There is a need for both sustained public investment *and* more effective resource use. Solutions must focus on quality, cost and access—they should not sacrifice one (e.g., quality or access) to make progress on another (e.g., cost containment).

A more detailed discussion of each of these barriers and strategies to address them follows.

Alignment

The data summarized earlier underscore the significant gaps between what students are learning and the knowledge and skills needed for college-level study. But a snapshot at one point in time does not reflect the steady progress that has been made since the enactment of the Kentucky Education Reform Act. That progress has been gauged by, among other measures, the National Assessment of Education Progress, also known as the nation's report card. It takes years for such a massive reform to have a measurable impact on preparation for college-level study. Only in 2003 did students who had completed the entirety of their educational experience under KERA begin to enter postsecondary education.

Kentucky is widely viewed as a leader in collaboration between P-12 and postsecondary education and is the only state that has included adult education in the educational alignment process. The state P-16 (preschool through postsecondary) Council was established in 1999 through the mutual agreement of the Kentucky Board of Education and the CPE to serve as an advisory body to the two boards. It is not a statutory agency and has no direct state general fund support or direct authority. The issues addressed by the P-16 Council include the preparation and professional development of teachers, the alignment of competency standards and the elimination of barriers that impeded successful transition from pre-school through college. Progress is slow, but it is happening. Implementation of the P-16 Council recommendations is dependent on willingness of the Department of Education and the CPE to take action. The perception of some is that the P-16 Council has served more as a debating and discussion forum than as an effective means to address critical, cross-agency issues.

In 2001, the General Assembly enacted legislation authorizing the CPE to encourage establishment of local P-16 councils. The 2002 Regular Session appropriated funding to support these councils, but since then no state funding has been provided specifically for this purpose. There are now 21 local councils in place, covering most of the state, but their effectiveness varies widely.

Initiatives to improve preparation

A number of initiatives implemented in the past five years will have significant long-term effects on both high school and adult students' preparation for college-level study. But it will take time for these changes to have an impact at the classroom level. The most significant initiatives include:

- Kentucky's piloting of the American Diploma Project, a national effort to make the high school diploma and secondary assessments meaningful for college admission, college placement and the skilled workplace. Kentucky is part of a 30-state network whose members are to take policy actions on alignment of secondary and postsecondary curriculum, assessment standards and accountability for postsecondary student success.

- The Kentucky Board of Education (KBE)'s 2006 action to raise the minimum requirements for high school graduation effective for the class of 2012. These include the addition of algebra 2, mathematics every year, laboratory experience in every science course as appropriate, technology competence and the implementation of Individual Learning Plans beginning in middle school.

- The CPE's Developmental Education task force report that recommended ways to address postsecondary developmental education placement policies, instruction and intervention at P-12 and postsecondary levels, a comprehensive cross-sector funding model, and the preparation and professional development of teachers.

- The CPE's STEM (Science, Technology, Engineering, and Mathematics) Task Force's development of a statewide strategic education and economic development action plan to accelerate Kentucky's performance within the STEM disciplines.

- The high school feedback report that provides information to school districts on the level of preparation of their students for postsecondary education, comparative data on ACT schools and the success of the school district's students in postsecondary education.

- The Kentucky Scholars Program, an initiative of the Partnership for Successful Schools that encourages middle school students to take more rigorous academic courses in high school to better prepare them for postsecondary success.

Dual enrollment, advanced placement and transition to postsecondary education

Regional meetings and interviews revealed strong interest in finding ways to expedite the transition from high school to college, including dual enrollment, increased participation in advanced placement exams and making better use of the senior year in high school. Comments also focused on the need to find ways to let academically strong students complete secondary education and move on through the postsecondary education pipeline.

The number of high school students enrolling in college-level courses (dual enrollment) has increased dramatically in the past five years: from 6,366 in Fall 2001 to 17,282 in Fall 2006. Eighty-four percent of the enrollment is in KCTCS courses. The expectation was that dual enrollment would lead to students being better prepared for postsecondary education, thereby reducing the amount of time it takes them to earn a degree. So far, however, these expectations are not being realized. Most of the students enrolled in KCTCS are taking technical and occupational courses, and these students tend to matriculate in postsecondary education at a lower rate than students taking academic courses. Students who begin postsecondary education with credit from dual enrollment tend not to complete postsecondary education more quickly than other students—they simply graduate with more credits.

The number of students taking Advanced Placement (AP) exams increased from 6,202 in 1997-98 to 13,625 in 2005-2006. In August 2007, the National Math and Science Initiative (NMSI) awarded Kentucky a competitive grant to fund training and incentives for AP and pre-AP mathematics, science and English courses in Kentucky's high schools. The grant will provide up to $13.2 million over six years to fund extensive training of teachers, identification and cultivation of lead teachers, extended time on tasks for students, and financing incentives based on academic performance. The Advanced Placement Enterprise of Kentucky (APEK) was formed by the Kentucky Science and Technology Corp. (KSTC) in partnership with the KDE, CPE and the Partnership for Successful Schools.

The 2005 Prichard Committee on Academic Excellence report, *High Achieving High Schools,* recommended actions to make better use of the high school senior year. The report also recommended making it possible for academically strong students to accelerate their progress in high school through programs that award course credit to students based on their proven proficiency or learning experiences other than in traditional classes, not on the amount of time they spend in a particular class, and expansion of dual credit programs.

Except for the expansion of students taking dual credit courses and AP exams, efforts to provide accelerated movement of academically strong students through the education pipeline seem to be only beginning in Kentucky.

Conflicting signals from multiple assessments

One of the most consistent and strongly expressed concerns during the regional meetings addressed the conflicting pressures on schools and students from the multiple assessments used for accountability and the transition to postsecondary education. Schools are held accountable for student performance on the Commonwealth Accountability Testing System (CATS). However, the large number of students who need remedial/developmental work suggests no strong alignment exists between CATS and the assessments used for college entrance or placements.

The need to reform high-school standards, curricula and assessments and their alignment with college readiness has been the subject of intense debate in Kentucky, and the issues are far from resolved. For example, the Prichard Committee's *High Achieving High Schools* report recommended the establishment of end-of-course or competency exams that could ultimately replace the high school assessment under CATS. The KDE began developing end-of-course assessments in mathematics in 2005. In 2006, the Kentucky General Assembly approved a pilot program for high school end-of-course assessments.

Meanwhile, the 2006 General Assembly passed Senate Bill 130 requiring diagnostic assessment of all eighth- and tenth-graders using the ACT Educational Progress Assessment System, administration of the ACT to all eleventh-graders, and the administration on a volunteer basis of three WorkKeys components of the Kentucky Employability Certificate (reading for information, locating information and applied mathematics). These assessments evaluate students' readiness for high school, college, technical school and the workplace and call for appropriate and timely interventions.

The Council on Postsecondary Education strongly supported SB 130, while others, especially those deeply concerned about sustaining the momentum of education reform initiated by KERA, strongly opposed the imposition of a new norm-referenced assessment system on the existing system and urged that more emphasis be given to end-of-course exams.

The assessment picture is even further complicated by the reality that the assessments used for adult education, the test for adult basic education (TABE) and the assessment used for students seeking a GED are poorly aligned with both high school standards and curricula and preparation for college-level study. There is nationwide agreement that obtaining a GED is not a good indicator of a student's preparation for either college-level study or employment in a living wage job.

Findings from the regional meetings indicate these state-level debates are sending mixed signals to schools and students and are seriously undermining the efforts of schools to improve the preparation of students for postsecondary education. Multiple overlapping and potentially conflicting state and federal testing requirements are clearly overwhelming many schools, especially those in the more challenged rural and urban school districts.

Comments from the regional meetings and interviews prompt the conclusion that the current mechanisms (such as the state P-16 Council) are not working as effectively as they need to in order to address these alignment problems. However, there is evidence of encouraging and positive collaborative efforts under way at the regional level in

Kentucky to improve school-to-college transition *in spite of* the divisions at the state level.

Financial disincentives for P-12 and postsecondary collaboration

The disincentives in the funding systems for P-12 and postsecondary education present serious barriers to collaboration. As noted earlier, 21 local P-16 Councils are in place throughout Kentucky, but their effectiveness varies. The lack of funding for core staff and incentives for area teachers and faculty members to participate in joint projects is a significant barrier to the councils' effectiveness.

Funding also serves as a disincentive to moving students through the pipeline more expeditiously. Since the state funds schools based on attendance, schools are reluctant to participate in projects that could take students out of their classrooms.

The disincentives for collaboration among postsecondary institutions are equally as strong. Sponsors of House Bill 1 were concerned that the funding formula in existence before the reform fostered intense competition as institutions vied to attract the same students instead of working to expand the overall pool of students. Although the funding methodology changed with the reform, Kentucky's postsecondary institutions continue to compete intensely with each other for students. Although it would be logical to expect KCTCS schools to collaborate with the comprehensive university in their regions, the reality is that these institutions are competing for many of the same students. A gain for one is perceived as a loss for the other.

Accountability systems, existing and proposed, can also be significant barriers or positive incentives for collaboration depending on how they are designed. The regional meetings revealed serious concerns that the CPE's proposed performance and accountability measures for increasing degree production as part of the Double the Numbers campaign would lead to institutional competition on the regional level for the best-prepared students—those most likely to attain a degree. Others suggested that the incentives could encourage institutions to meet enrollment and degree targets by recruiting out-of-state students while ignoring the more difficult task of reaching the less-prepared students in their immediate regions.

A positive suggestion made at several of the meetings was that the state should set performance expectations for a region and provide incentives for all the institutions in the region, public and independent, to collaborate in meeting these expectations. Shared goals could include increasing high school graduation rates, increasing college-participation rates, reducing the need for developmental education, or increasing retention, transfer and completion rates. If the region's performance improved, all the institutions could be rewarded.

As stressed earlier, there are excellent examples of regional collaboration. The important point, however, is that this collaboration is taking place *in spite of* serious disincentives in finance policy. Fragmented and conflicting signals from the state level are not helpful.

Summary

Concerns persist about the adequacy of students' high school preparation for postsecondary work and employment, although progress has been made in student achievement and in the collaborative efforts between CPE and the state Department of Education. The most frequently cited problem is the misalignment of CATS with the expectations of postsecondary-level study. A key concern is that multiple and potentially overlapping assessment requirements are adding significant burdens to schools while sending mixed signals to schools, students and parents about the knowledge and skills needed for success in postsecondary education and a living wage job.

Because developing a seamless system is critical to the success of postsecondary reform, the state's political and education leaders should re-establish methods on the state level to address problems that cut across P-12, adult education and postsecondary education. Kentucky has made progress on each of the levels through KERA, postsecondary reform and adult education reform. The next step is to establish a comprehensive, integrated P-20 framework for reform.

Links between postsecondary education and economic development/innovation

Kentucky can achieve the goals of HB 1 only if there is an intensified effort to develop a state economy that employs a highly educated population. As discussed earlier, the current economy is sending mixed signals to the population about the importance of education.

Statewide economic development

The postsecondary reform legislation charged the newly created Council on Postsecondary Education with the mission of forging connections across state government to advance the goals of postsecondary reform. That mission exceeded the traditional definition of education and led to the CPE's creation as an independent entity. It was purposely not located within the Education Cabinet.

For a variety of reasons, strong ties between CPE and the Cabinet for Economic Development did not develop, although the council has pursued some specific responsibilities related to economic development. The Kentucky Innovation Act of 2000, intended to spur innovation through stronger links between postsecondary education and the state's future economy, was only partially implemented.

The appointment of a new Cabinet Secretary for Economic Development in June 2007 is leading to a fundamental reshaping of the Cabinet and creating new partnership opportunities between that agency and the CPE. The new Secretary is focusing on several areas that demonstrate a strong connection between economic development and education:

- Encouraging high-tech job growth by pushing the mission of building and promoting technology-driven and research-intensive industries by recruiting, creating and retaining high-tech companies and jobs. The goal is to create high-tech and knowledge-based job opportunities and to cultivate an economic climate that encourages entrepreneurship and homegrown innovation.

- Recognizing and increasing awareness of the role education plays in economic development.

- Encouraging communities to identify what makes them unique in what they can offer new and expanding companies.

The CPE has an excellent opportunity to develop a strong partnership with the Cabinet for Economic Development as a state-level complement to the Regional Stewardship Program described below. The CPE and postsecondary institutions cannot lead economic development, but can give strong support to and collaborate with the Cabinet for Economic Development, the Kentucky Chamber of Commerce and others to support their leadership to reshape the state's economy.

Connecting postsecondary education to regional innovation and economic development

The data analysis and the results from the regional forums indicate large disparities among Kentucky's regions in economic conditions, educational attainment and culture. Because of this diversity, it is at the regional level that partnerships between postsecondary education and business, civic and educational leaders are most likely to succeed in improving the region's educational attainment and economic development.

The Task Force uses the term "region" to describe the characteristics and behavior of a geographic area of Kentucky, *not* in the same sense of an Area Development District (ADD) or a university "responsibility area" as defined by the CPE. The history of Kentucky with the development of 120 counties is one of a high degree of decentralization. Developing regional collaboration between and among counties has always been a challenge. Nevertheless, there are clearly regional patterns determined by highway connections, commuting and market patterns and the patterns of enrollment in Kentucky's postsecondary institutions.

Most Kentucky students attend postsecondary institutions – KCTCS campuses, comprehensive university campuses or independent institutions – within the regions where the students graduated from high school and currently reside. Most of the teachers in regions of Kentucky graduated from the comprehensive university closest to their school. While all the public universities draw students from the state's major metropolitan areas, most of their students come from the region closest to the university. Only the University of Kentucky draws from throughout Kentucky, although UK also draws a significant number of students from its local region (Figures 23 and 24.)

FIGURE 23
Four-Year Institutions Where Most Students Enroll by County, Including the University of Kentucky

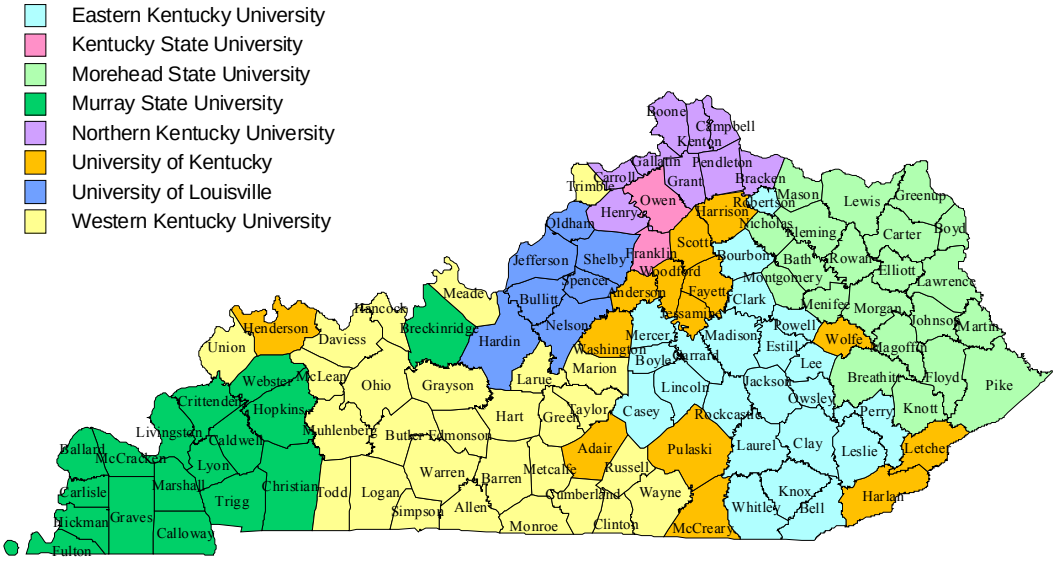
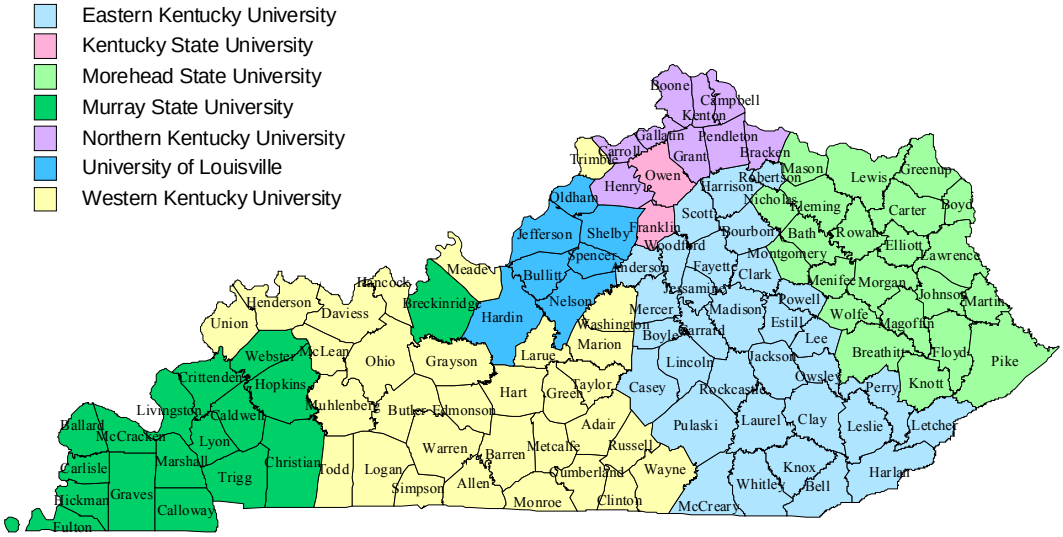


FIGURE 24
Four-Year Institutions Where Most Students Enroll by County, Not Including the University of Kentucky



HB 1 has had a marked effect on increasing the engagement of the universities in efforts to uplift educational, economic and other conditions within their regions and the state as a whole. Although there are good examples at each university, the developments at the University of Louisville and Northern Kentucky University stand out. In both of these cases, there are parallel, yet closely coordinated, developments—one in community and

economic development, and the other in transforming the university. The key is the partnership that links both of these pillars of regional development together.

- In Louisville, the Boyle Report of 1996 led to a community action agenda to build the metropolitan region's economy. This coincided with the enactment of HB 1 and challenged the university to strengthen its link with the region's future. The action agenda coupled with strong business leadership resulted in dramatic changes including Metropolitan College, a partnership among Jefferson Community and Technical College, the University of Louisville and business partner UPS.

- In Northern Kentucky, the partnership between Northern Kentucky University and the Northern Kentucky Regional Plan, Vision 2015, is a national model for stewardship of place: postsecondary institutions that partner with business, civic and P-12 communities to solve local, regional and state problems.

Increasing innovation and improving quality of life of the Commonwealth are the ultimate goals of developing the University of Kentucky as a top-20 public research institution. A major research university contributes in several ways to its region's economy, but the impact depends significantly on the incentives provided to researchers and faculty to solve regional problems, especially in regions outside the university's immediate area. The university's "Commonwealth Collaboratives" initiative fosters partnerships among UK's researchers, K-12 educators, independent health care providers, entrepreneurs, industries, local government officials and private citizens who will participate in – and benefit from – these projects. Sustaining support for the "Top 20" goal will require statewide visibility of the impact of UK's efforts to connect its research to regional problems. However, researchers are often reluctant to engage in work away from the main campus unless there are specified incentives to do so.

According to findings from the regional meetings, connections of the research capacity of UK and U of L to regional innovation and renewal could be much stronger, including alliances with other postsecondary institutions to share expertise in addressing regional problems related to health, the environment, energy and other fields. As a complement to the Commonwealth Collaboratives, the state might consider making funding incentives available to regions, perhaps through the Cabinet for Economic Development, to draw UK researchers into the field to collaborate in solving regional problems. The same approach could be employed to engage U of L researchers in projects beyond the Louisville metropolitan area.

The sponsors of the 1997 reform legislation intentionally balanced the emphasis on developing UK and U of L with an emphasis on strengthening the regional universities. The substantive reason was to develop the national distinction of the regional universities and their collaboration with other institutions as a means to better serve their regions. Regional did not mean "parochial." Another way to express the idea is "regionally engaged, but nationally recognized." Because of concerns that the word regional was too narrow, the universities are now called "comprehensive."

The Kentucky General Assembly appropriated funding in 2006-2008 for a Regional Stewardship Program to engage the comprehensive universities in promoting regional economic development, livable communities, social inclusion, improved P-12 schools,

creative governance and civic participation. The CPE is in the process of reviewing and approving plans of each of the comprehensive universities as is required for funding to be approved.

The Regional Stewardship Program provides the framework for strengthening the goal (Goal A) for the comprehensive universities as expressed in HB 1. This enhanced mission would underscore the critical role that these universities play (in partnerships with KCTCS, the region's independent institutions, and the public schools) in raising their region's education attainment, developing a culture of innovation and economic renewal, and contributing to the long-term goals of the Double the Numbers campaign.

The new mission of the Cabinet for Economic Development and its emphasis on regional economic development linked with education is a critical parallel development to the Regional Stewardship Program. As emphasized earlier, the success of regional stewardship depends on leadership of postsecondary education *and* business and civic leaders. Statements from the regional meetings indicate that **only three to five areas of Kentucky have comprehensive initiatives for regional economic and community development. In other areas, regional economic development, especially development that emphasizes innovation and jobs requiring higher education and skill levels, either is in a nascent stage or does not exist. The evidence further suggests the comprehensive universities in these regions will face a major challenge if they try to drive regional development without strong partners on the other side. For these under-developed areas, state investments must occur on two fronts: regional stewardship through CPE and regional economic development through the Cabinet for Economic Development.**

Regional access to postsecondary programs

The establishment of postsecondary education centers throughout Kentucky is a controversial issue. The framework for the centers was established in 1998 legislation that encouraged collaboration among institutions in planning, design, utilization and operation. The CPE emphasized that the centers, other colleges and universities and the Kentucky Virtual University (now called the Kentucky Virtual Campus) all would meet the local needs. This occurred in a few cases, but in others, the centers primarily became extended campuses of the regional university, not multi-provider centers.

Increasing geographic accessibility to postsecondary education can be important for achieving the Double the Numbers goal. The regional meetings raised concerns that political pressures are leading to a proliferation of centers without a thorough analysis of local needs, the impact on other postsecondary institutions in the region and other alternatives (such as technology and distance delivery).

Another concern is that "responsibility areas" for each comprehensive university are being interpreted as the university's exclusive service areas. In contrast, the CPE's intent was that the comprehensive's responsibility was "to see that the region was served," not to claim the region as its exclusive area. This intent is apparently not being met consistently throughout the state.

CPE should give high priority to renewed leadership in this area. Models in other states provide for:

- Strong community leadership in defining needs.

- Incentives for communities interested in developing centers to obtain non-state funding to complement state funding for constructing any new facilities. Obtaining non-state funding for facilities should not be a condition for a community's eligibility for a center. The aim of incentives should be to encourage local "ownership" in developing and maintaining the facility. Priority is given to use of existing facilities (e.g., community college or independent college facilities).

- State funding for core center capacity: technology and essential student services.

- An open-provider policy that may give the right of first refusal to the regional state university but allows the center to obtain needed programming from other providers. State funding is often available to give the local center leverage in "buying in" needed programs (e.g., cohort programs) in cases in which there is a high community need but with numbers and anticipated revenue insufficient to attract an institution willing to provide a complete program.

Based on this information, the CPE should assume a leadership role in shaping a similar approach for Kentucky and in seeking funding from the General Assembly to enable centers to develop local capacity and buy in programming as necessary.

Summary

Kentucky can achieve the goals of HB 1 only if there is a concentrated effort to develop an innovation-based economy that employs a highly educated population. Kentucky cannot reach the 2020 goals on education attainment only by getting more students through the education pipeline to degrees. Kentucky must create stronger links between postsecondary institutions and economic development to create new jobs that attract and retain college-educated residents. Achieving this will require:

- A stronger partnership between the CPE and the Cabinet for Economic Development.

- Greater efforts to link the developing research capacity at UK and U of L to efforts to develop new jobs in all regions of Kentucky.

- Focusing the goal and mission of the comprehensive universities on the role of regional stewardship.

- Increased access through university centers to postsecondary opportunities at the bachelor's degree and professional levels in regions distant from a public four-year institution.

The interviews and regional meetings revealed high levels of support for a region-by-region approach to developing stronger links between postsecondary education and economic development/innovation. These regional strategies should grow as relationships develop, not through formally imposed, top-down definitions of regions.

Policy Coordination, Discipline and Accountability

The intent of the Council on Postsecondary Education and the Strategic Committee on Postsecondary Education was to keep the reforms focused on linking postsecondary education to the future economy and quality of life and to guard against institutional and regional competition that seemed endemic in Kentucky's political culture.

The reform authors understood the need for balance among elements of the system and the state's highly diverse regions:

- Between the statewide mission and political influence of the University of Kentucky and the developing University of Louisville in the state's largest metropolitan area.
- Between the research universities and the comprehensive universities (then identified as regional universities), several of which had direct ties to key legislative leaders.
- Between the mission of universities and the developing community and technical college system.
- Between the power and influence of the state's major metropolitan regions (the so-called Golden Triangle) and the more dispersed political power of the state's other developing metropolitan areas and rural regions.

The intent of the original institutional goals was not only to achieve a diversified postsecondary education system, but also to reflect a Kentucky political reality: unless policy proposals respect the diversity of the state's regions, it is exceptionally difficult to move them through the state legislature. The emphasis on the first goal of a "seamless system" underscored the need for statewide coordination, collaboration and strategic alliances statewide.

The sponsors kept foremost in their minds the understanding that the General Assembly has, under Kentucky's Constitution, the final authority and responsibility to establish policy in the Commonwealth and that it cannot delegate that authority and responsibility to another entity. They chose to create a policy leadership and coordinating structure that would support the decision-making responsibilities of the General Assembly. The entity's power to lead the strategic agenda and counter negative regional and institutional political pressures would depend ultimately on its capacity to gain the attention, respect and trust of the legislative leadership and the Governor.

The structure established to develop the relationship between a policy leadership and coordinating entity and the Governor and General Assembly included:

- The Council on Postsecondary Education (CPE), a new entity replacing the Council on Higher Education, charged with developing a strategic agenda to achieve the goals of HB 1 and recommending a strategic budget aligned with this agenda to the Governor and General Assembly.

- The Strategic Committee for Postsecondary Education (SCOPE) chaired by the chair of the Council on Postsecondary Education and comprised of the Governor, legislative leaders and other members from the legislature, executive branch and CPE.

The hope was that through the leadership of the CPE and participation in SCOPE legislative leaders would gain full ownership and support for the strategic agenda and related budget priorities so that, in the heat of the legislative process, they could keep the agenda on track. The basic message would be that, while it may inevitably be necessary to attend to constituent, regional and institutional priorities, in the end, legislative action should be consistent with the CPE strategic agenda to achieve the goals of HB 1.

Council on Postsecondary Education

Within two years of HB 1's passage, serious cracks opened in the structure. The CPE leadership took an uncompromising stand against what it saw as political end-runs directly to the legislature around the CPE priorities—and ultimately, progress toward the HB 1 goals. This stance ran directly into the strongly held view of some that reasonable accommodation of regional and institutional interests was essential to gain political support for postsecondary reform. The conflict between these positions led to the departure of the first CPE president.

There has been a steady drift from a strategic alignment between the goals of HB 1 and the biennial budget. The Governor and General Assembly must assume as much responsibility for this trend as the CPE. Nevertheless, it was the intent of HB 1 that the CPE play the central role, in coordination with SCOPE, in keeping the reform process on track.

Strong differences persist between those who believe that the CPE was correct in taking an unwavering stance against political battles in the early years of reform and those who believe in a willingness for reasonable compromise. The key, in this view, is to link legislators' needs to respond to constituents to the overall agenda and to minimize, even if it is impossible to eliminate, end-runs.

From the perspective of some of the original proponents of the CPE, the entity's failure in its early years to lead and manage the delicate political balance and to gain the trust and respect of the legislature damaged its ability to regain the original policy leadership and coordinating role anticipated in HB 1. However, most policy and educational leaders interviewed for this report said that having a CPE that fulfills is original role as defined in HB 1 is critical to the success of reform. It appears that returning to the "politics as usual" prior to the reform's passage is unacceptable.

Under new leadership, the CPE made valiant efforts to regain the confidence of the legislature in pursuit of the HB 1 goals and the public agenda. Changes in political leadership, intensified divisions within the legislature and the tensions resulting from severe budget cuts in the recession of the early 2000s complicated the CPE's efforts to regain its intended role.

In spite of obstacles, CPE continues to seek public and legislative support for the goals of HB 1 and actions necessary to accomplish these goals. In 2004, the CPE engaged a broad range of Kentucky's political, business, education and civic leadership in a new strategic

agenda, *Five Questions, One Mission: Better Lives for Kentucky's People, A Public Agenda for Postsecondary and Adult Education, 2005-2010.*

The Five Questions

- **Are more Kentuckians ready for postsecondary education?**
- **Is Kentucky postsecondary education affordable?**
- **Do more Kentuckians have certificates and degrees?**
- **Are college graduates prepared for life and work in Kentucky?**
- **Are Kentucky's people, communities and economy benefiting?**

This public agenda framed the Council's budget recommendations for the 2006-2008 biennium and provided the impetus for the Double the Numbers campaign. Recognizing that SCOPE was not functioning as intended, the CPE used task forces involving key legislators to study developmental education and the severe shortages in STEM fields as ways to address concerns of key legislators and engage them in developing policy alternatives.

Even with these efforts, the CPE's approach in shaping a budget framework and recommendations to the Governor and General Assembly has been an ongoing concern to both institutions and legislative leaders. These concerns came to a head in the 2006 legislative session. The resulting disarray led many to conclude that the conditions that HB 1 was designed to avoid had returned, placing the entire reform movement at risk. The conditions were disturbingly similar to those cited in the 1996 assessment as barriers to Kentucky's progress.

In interviews conducted for this review, all the key legislative leaders, including current and former lawmakers, involved in the 1997 reforms expressed strong commitments to sustaining efforts to achieve the goals in HB 1. All agree that the only way Kentucky can progress is by countering the disarray of competing regional and institutional interests that undermine the long-term public agenda. Although their specific solutions differ, all agree that the alternative must recognize the ultimate authority and responsibility of the General Assembly and must gain legislative ownership of the public agenda and budgetary priorities.

Several of the policy and education leaders interviewed expressed serious disappointment with the leadership and performance of the CPE. Much of the concern stemmed from the seeming inability of the CPE to contain regional and institutional turf battles and end-runs to the General Assembly, although they acknowledged that the state's political and institutional leaders shared some of the blame for these problems.

CPE's relationship to institutions

A fundamental tension in the implementation of HB 1 has been between the emphasis of the CPE on the goals in the public agenda—the Five Questions – focusing on the ultimate goal of HB 1 (Goal B) and the emphasis of the institutions on achieving the explicit institutional capacity goals in HB 1 (Goal A). Following the theme that HB 1 was about the future of Kentucky, not about the future of institutions, the CPE framed its agendas, priorities and biennial budget requests primarily in terms of achieving the goals related to the Five Questions. They did not include a deliberate focus on the institutional goals, except as these related to CPE's public agenda. As emphasized earlier, the intent of HB 1 was that the Commonwealth should pursue the institutional goals as a means to achieve the long-term goals. In practice, however, the CPE focused primarily on the long-term goals. A consequence of that approach, however, was that institutions felt compelled to make the case directly to the legislature for the HB 1 institutional goals because of a feeling that the CPE would not do so.

More subtle concerns, however, stem from a sense among institutional leaders that the CPE has developed into a complex, bureaucratic entity pursuing its own agenda with insufficient sensitivity to the realities of institutional-level priorities and time constraints. A common observation was that the CPE had too many small, uncoordinated initiatives, many driven by external funding. As described earlier, the growth of CPE projects and initiatives is a result of special projects added by the General Assembly, a process that the CPE's biennial budget requests seem to have encouraged.

Because of different roles and responsibilities, tensions between statewide coordination and institutional priorities can be expected and are a reality in states across the country. The challenge is to develop and maintain a delicate balance between statewide policy leadership and the need for effective institutional leadership and governance. Although CPE's initiatives are well-intentioned and related to the goals of HB 1 and the Five Questions, they can have a fragmenting impact on institutional efforts to focus on their missions and carry out the day-to-day internal responsibilities. The interviews and regional meetings conducted for this review suggest that the role of the CPE has changed from policy leadership to project and program administration. In this view, the CPE approach to project implementation often turns into complex, top-down bureaucratic processes that undermine the goal of achieving institutional ownership and internal commitment to implementation. Part of the problem was attributed to lack of CPE staff experience in institutional leadership positions.

A consensus was that the CPE and the institutions could draw useful lessons from the recent business plan experience (described in the following section on budget discipline and accountability) to design a more focused, less complex process for its relationships with institutions. **The vehicle for this process would be mutually negotiated two-way multi-year agreements between institutions and the CPE**. The new process could (1) provide a systematic way to consolidate and coordinate CPE initiatives affecting an institution, and (2) serve as the basis for a substantive discussion of significant challenges facing the state and each institution. The agreement could specify how the CPE intended to hold each institution accountable for achieving state goals, and the CPE could agree to support the institution on its own strategic planning and priorities to meet the HB 1 institutional capacity goals (Goal A). In the budget process, the business plans or agreements could serve as the basis for state investments to increase institutional

capacity, including related goals and accountability measures. The agreement could then serve as a basis of annual face-to-face conversations between the CPE and institutional leaders, including the institutional governing board leadership, about how they could work together to achieve the goals of HB 1.

Need for state policy leadership and coordination

Despite concerns that the CPE had drifted significantly away from the policy leadership mission intended by HB 1, most of those interviewed agreed that an entity such as the CPE is essential to sustain attention to the goals of HB 1, system and institutional accountability for progress toward these goals, and to maintain balance among diverse institutional missions and regions. They emphasized, however, that:

- CPE can only be effective if it gains the trust and respect of the General Assembly as an objective, nonpartisan, timely and relevant source of policy analysis and information to support decision-making by the legislature. Re-establishing the CPE as an independent entity relating directly to the Secretary of the Governor's Executive Cabinet as originally intended by HB 1 would be a critical step in strengthening the CPE's leadership role and its links with other entities, including the Cabinet for Economic Development.

- Leadership from the Governor is critical to the ability of the CPE to fulfill its statutory responsibilities as defined in HB 1:
    - Ensuring the priorities as developed by the CPE (e.g., Double the Numbers) are priorities for the state, not only the CPE.
    - Appointing the most prominent business and civic leaders in Kentucky to the CPE.
    - Supporting CPE's independent policy leadership role, especially as it seeks solutions to issues that may be politically sensitive.
    - Facilitating connections and coordination between the CPE and across the state government including not only education entities but especially the Cabinet for Economic Development.
    - Advancing clear communication among key parties (CPE, Governor's Office and General Assembly) in the budget process.

The CPE must re-establish its focus on leading the statewide public agenda to achieve the HB 1 goals (Goal B) while consolidating and streamlining its projects and initiatives related to institutions. The CPE focus should be on leading the Double the Numbers campaign and on crosscutting issues such as P-20 initiatives carried out in partnership with the State Board of Education and statewide and regional education development/innovation in partnership with the Cabinet for Economic Development. To the extent feasible, the CPE should consolidate and streamline initiatives related to institutions within the framework of multi-year institutional agreements and the principal sector trust funds (research challenge, regional university excellence, postsecondary workforce development (KCTCS)) to support statewide priorities and the institutional

capacity goals (Goal A) of HB1. The agreements should also provide a framework for institutional accountability.

Strategic Committee for Postsecondary Education

Within a short time after the enactment of HB 1, SCOPE evolved into what some characterized as a "show and tell Power Point" forum for the CPE to tell the legislature what they should know and do. Legislators did not perceive SCOPE as a forum for two-way communication, and it quickly lost credibility as a means to gain legislative ownership of the agenda.

Policy leaders interviewed for this study agreed that SCOPE has not worked and may not be able to work in its current configuration. Their views were that the committee is too large, too dominated by CPE's agenda, and not structured or staffed in a way that will engender legislative ownership. The SCOPE meetings took place in a theater-style hearing room with the news media present, conditions that did not contribute to the intended face-to-face discussions. All agreed that it is essential that there be a better way to gain legislative understanding and ownership of the public agenda and budget necessary to achieve the HB 1 goals. But they did not see SCOPE, with its current structure, as that means. **A smaller SCOPE, staffed by the Legislative Research Commission (LRC), focused explicitly on how to gain broad legislative understanding and support for the public agenda and budget priorities was one possible alternative**. At critical times, such as the disagreements about the budgetary framework in 2000, subcommittees of SCOPE, including the Governor and executive branch leaders, legislators, institutional presidents and the CPE, have served an important function in reaching consensus on key policy principles. The experience of other states indicates that having representatives of the state's business leaders at the table provides an important, independent voice to ensure that the focus remains on the ultimate goals of postsecondary education reform.

Budget Discipline and Accountability

Funding model prior to HB 1

The postsecondary education funding model in place prior to HB 1 was fundamentally a "cost-reimbursement" mode: the formula determined budget recommendations and institutional allocations based on elaborate cost analysis and other variables intended to reflect the needs of the institutions. Common criticisms of the model were that it:

- Emphasized cost-reimbursement based on historic costs and therefore reinforced the status quo and provided few incentives for efficiency.
- Focused primarily on state appropriations and did not take into consideration other sources of revenue available to institutions.
- Stimulated competition rather than collaboration among institutions leading to program duplication and barriers to student transfer.

- Provided no incentives for performance, especially in meeting state priorities, although a performance component was added to the model in the biennia prior to HB 1.

- Was a "black box" so complicated and opaque that few people other than the institutional chief financial officers and the Council on Higher Education had a full understanding of its components.

Above all, the funding model had no credibility with the General Assembly. As a result, the Council's budget recommendations were largely ignored. Institutional lobbying and regionalism, not a long-term plan for higher education in Kentucky, were the dominant forces in the biennial budget process.

A new budgetary framework in HB 1

HB 1 enacted fundamental changes in the financing model. The underlying design shifted from cost-reimbursement to the adequacy of revenue and took into consideration all sources of revenue (especially state appropriations and tuition—public funds) available to accomplish institutional missions. The CPE was given the responsibility to develop biennial budget requests for:

- Funding to be appropriated to the base budgets of the institutions, systems, agencies and programs.

- Funds for the Strategic Investment and Incentive Trust Funds that were to be used in support of the strategic agenda and provided a means to promote coherence as opposed to the multiple special projects previously included in the budget.

Rather than lapse at the end of each biennium, these funds and their interest earnings would be available when needed to be allocated by the CPE to achieve the HB 1 goals. The six trust funds were designed to reflect the different goals in HB 1: research challenge, regional university excellence, postsecondary workforce development (KCTCS), physical facilities, technology initiatives and student financial aid and advancement.

HB 1 added a critical element to the biennial budget process: SCOPE, with the intent of gaining the understanding and support of the state's elected leaders of the strategic agenda and biennial budget prior to action by the General Assembly.

Moving away from the original HB 1 framework

For the last year of the 1996-1998 biennium, the General Assembly appropriated funds directly in line with House Bill 1. (As noted earlier, the Bucks for Brains Endowment Matching Program was added in 1998.) The CPE's first biennial budget request for 1998-2000 followed the HB 1 mandate. The Governor's budget request and the General Assembly's final appropriations for that biennium followed the CPE's recommendations with few exceptions. In addition to recommending two new trust funds, the CPE recommended two key components:

- Benchmark funding, a request for funds to move each institution's base funding closer to the funding levels of benchmark institutions in other states

- Performance funding in the form of an Enrollment Growth and Retention Program, designed to accelerate institutional performance toward the HB 1 goals

Cracks began appearing in the HB 1 funding approach as the institutions and legislators began work on the biennial budget. Technical flaws in the benchmark funding model spawned intense divisions among some of the comprehensive universities and their legislative advocates. In addition, institutions objected to the methodology of the performance funding component. This budget crisis was finally resolved before the opening of the 2000 session by a subcommittee of SCOPE, including representatives of the Governor, General Assembly, institutional presidents and the CPE. The consensus reached through this process stabilized the budget process and led to General Assembly action on the 2000-2002 budget that largely sustained commitment to the HB 1 goals. But the problems with benchmark funding would continue and, from the perspective of most observers, never be fully resolved.

Midway through the 2000-2002 biennium, the state descended into a protracted budget crisis that would last through the first year of the following budget cycle. Postsecondary education ultimately received significant budget cuts, and the budgetary framework of House Bill 1 could not be sustained. While the trust funds remained primarily as funding vehicles, the state withdrew the interest earnings to close the state's budget deficit, thereby negating their use as a means to sustain attention to the long-term goals. Meanwhile, the first CPE president departed, in part because of the controversies related to the 2000-2002 budget.

As the state emerged from the recession under the leadership of a new Governor, the basic budgetary framework set forth in HB 1 no longer guided the biennial budget process. While the CPE packaged the budget request for 2004-2006 in the language of postsecondary reform, the request was understandably an effort to catch up on base funding, benchmark funding and special items.

In 2004, the CPE engaged in a full-scale effort to develop a new strategic agenda resulting the following year in *Five Questions, One Mission: Better Lives for Kentucky's People*, a document widely admired and replicated around the U.S. as a model for linking higher education to the future of a state. A review of the CPE meeting agendas and work plans from 2005 through 2007 reveals a subtle but profound shift in CPE priority setting. Instead of focusing the CPE agenda on the goals of HB 1, the five questions seem to have become primarily categories under which the CPE could package an increasingly fragmented set of programs and initiatives. Everything seemed to be justified in terms of the goals of HB 1 without disciplined coordination and priority setting.

Meanwhile, the CPE was engaged in a protracted study and analysis of funding distribution models, especially benchmark funding. While some of the blame for the lack of resolution clearly rests with the institutions, the widespread perception is that the CPE's approach to the funding model was far too complicated and technical to reflect the nuances of differences among institutional missions and funding constraints. More important, however, the CPE's budget and finance deliberations appear to have shifted away from the central themes behind HB 1: the link between the budget and performance leading to the 2020 goals.

Budget debate in 2006 Regular Session

When the 2006-2008 budget request was developed, the CPE packaged its spending plan in the Five Questions agenda. But the essence of the request was for (1) base funding adjusted for inflation, (2) benchmark funding (based on a methodology that increasingly had lost credibility with institutions and key legislators), and (3) a series of items including a combination of special initiatives developed by the CPE to pursue the HB 1 goals, initiatives derived from institutional requests and the apparent interests of key legislators.

The CPE's budget request did not include attention to what would become the most visible and influential postsecondary budget event in the 2006 session: UK's "top 20 public research university" business plan. In a November 2006 presentation, UK President Lee Todd urged the CPE to give budgetary attention to the HB 1 mandates for UK, but for reasons that are not apparent in the record, the CPE elected not to respond.

The enacted 2006-2008 budget reflected sharp deviation from the CPE's recommendations. Funding was provided to establish the Regional Stewardship Program, a CPE recommendation strongly supported by the presidents of the comprehensive universities. However, the General Assembly approved funding for other items that were not in the CPE request, the most prominent of which was a substantial appropriation to implement the UK plan. In interviews, legislators commented that "at least UK had a plan," noting that, from their perspective, neither the CPE nor the other institutions had laid out concrete plans for achieving the goals of HB 1. The appropriation for UK was not the only deviation from the CPE proposals. Funding increases reflecting the ties of key legislators to institutions appeared prominently in the appropriations bill in a manner that harkened back to exactly the same conditions in 1996 that spurred enactment of HB 1.

Whether by intent or default, the CPE appears to have used the bold language of the 2005 "public agenda" to serve more as a way to package initiatives than as a way to prioritize and shape the CPE's initiatives. The result was a proliferation of small projects and initiatives held loosely together by themes and questions. By mid-2006, however, recognizing the need for increased focus, the CPE began to shape a new agenda around the theme—and rallying cry—of Double the Numbers.

Institutional business plans

The positive legislative reception of the UK Business Plan led all institutions to devote considerable time and energy to developing business plans prior to the 2008 regular session. While the CPE did not initiate the idea, it clearly encouraged the institutions to develop the plans. In contrast to the original UK plan, the new round of business plans emphasized what it would take for each institution to reach targets established by the CPE related to the Double the Numbers goals on degree production and only secondarily on the specific HB 1 institutional capacity goals (Goal A).

As the 2008 session approaches, it remains unclear how, if at all, the institutional business plans will be used in the budgetary process. Double the Numbers is a compelling way to express the HB 1 goals for 2020, but CPE's approach creates a fundamental tension between efforts focused on the overall goal of raising the state's educational attainment (Goal B) and the specific capacity goals (Goal A) set for the universities and KCTCS. The CPE's strategic agenda, budget requests and related

accountability measures should give attention to both goals. The aim should be to show how the institutional and state plans and budgets are inter-connected in the overall effort to achieve the reform goals.

Budgetary framework for 2008-2010

Action on the 2008-2010 biennial budget for postsecondary education will be a critical test for the future of postsecondary reform in Kentucky. If the divisions in the 2006 session were to be repeated, reform could suffer a traumatic blow.

The focus of the Kentucky Chamber Task Force is on the long-term success of reform and therefore it would not be prepared to weigh in on the specifics of budget proposals before the Governor and General Assembly in the upcoming legislative session. Nevertheless, the Task Force should recommend general principles that should guide the development of fiscal policy and ensure discipline and accountability for the upcoming and future biennia. The budget should:

- Recommit the state to the basic framework outlined in HB 1, including:
  - Base funding for each institution, adjusted for inflation/cost-of-living and an expectation of productivity improvement.
  - Funding for building institutional capacity through the Strategic Investment and Incentive Trust Funds related to each major sector: research universities, comprehensive universities and KCTCS.
  - Funding for the other trust funds specified in HB 1.
  - Funding for statewide priorities.
- Create and maintain institutional capacity to achieve the HB 1 goals, including *both*:
  - The institutional capacity goals (Goal A).
  - The ultimate goal of increasing education attainment and per capita income (Goal B), as reflected in the Double the Numbers campaign.

  In other words, the budget should focus on not only the Double the Numbers goals, but also the institutions' needs to build capacity elaborated in multi-year agreements (based on institutional business plans) to achieve the goals specified in HB 1 (Goal A).
- Provide funding for statewide priorities organized according to a limited number of strategic funds:
  - Performance funding for institutions to make measurable improvements in degree production to meet the Double the Numbers goals and other state priority degrees. Kentucky independent colleges and universities should be eligible for performance funding for increases in degrees granted to Kentucky residents.

- A P-20 collaboration fund, jointly administered by the KDE and CPE to support statewide P-20 initiatives and provide funding for local regional collaboration. Included in this fund should be support for local P-16 councils and other inter-sector initiatives.

- A Regional Development Partnership Fund, jointly administered by the Cabinet for Economic Development and CPE, to include two inter-related components: funding for continued implementation of the Regional Stewardship initiative and incentive funding for regional community and economic development.

- Adhere to the provisions of the Trust Funds as in HB 1 for allocations among institutions (e.g., the two-thirds for UK and one-third for U of L, for the Research Challenge Fund), but add a performance/incentive component to each of the three institutional sector Trust Funds. This pool could be funded by either general fund appropriations or bonding. The purpose of the pool would be to provide flexibility for rewarding institution performance determined through the multi-year agreements between each institution and the CPE (see below). Performance should emphasize the unique missions of each sector:

  - Research university performance for UK and U of L, including links between research performance and regional innovation/economic development.

  - Regional stewardship for the comprehensive universities.

  - Workforce development for KCTCS.

- Sustain state support (through either general fund appropriations or bonding) for the Endowment Match Program (Bucks for Brains) as a means to support achievement of the institutional capacity goals (Goal A) of HB 1.

- Adhere to the statutory provisions that allow general fund appropriations to the Trust Funds to be retained from one biennium to the next and for interest earnings to be available to support initiatives within the purposes of the Trust Fund.

- Increase flexibility for the research universities to obtain capital financing through institutional bonding authority.

- Establish an accountability framework of multi-year agreements mutually negotiated between the CPE and each institution. Funds appropriated to each institution for base budgets, trust funds, statewide priorities, and other purposes, should be allocated within the framework of these agreements. The agreements should:

  - Build upon the institutional business plans prepared in anticipation of the 2008-2010 budget.

  - Include agreed upon metrics for institutional accountability for meeting both the institutional capacity goals relevant to the institution (Goal A), and state priorities (Goal B), e.g., Double the Numbers.

- Consolidate the provisions for institutional accountability for special statewide initiatives such as Developmental Education.
- Include explicit provisions for productivity improvements designed to increase the cost-effectiveness of degree production without compromising quality and accessibility.
- Provide an open, transparent means for institutional accountability to the Governor and General Assembly.

• Align state policies and actions on state appropriations, tuition, and student financial aid. This should include:

- Differentiated tuition among sectors, including maintaining comparatively low tuition (offset by increased state general fund support) at KCTCS compared to the other public institutions.
- Recommendations for general fund support for state student aid programs administered by KHEAA.
- Changes in student aid policy as necessary to meet the goals of HB 1.

Figure 25 illustrates the major components of a fiscal policy related to the operating budget that reflects these principles.

FIGURE 25

Budgetary Framework

POLICY OBJECTIVES	POLICY FOCUS	
	Institutions	Students
Capacity Building	-- Base funding for each institution, adjusted for cost-of-living/productivity -- Incentive funds (including Endowment Match) to build institutional capacity (Goal A): Research Challenge, Comprehensive Universities, and KCTCS	-- Tuition revenue based on tuition levels established within CPE policies and differentiated by institutional mission (e.g., maintaining comparatively low tuition at KCTCS, and higher tuition in other sectors)
		-- Need-based student financial aid: Guaranteed access on a last dollar basis

Capacity Utilization/ The Public Agenda	-- Performance funding for public and independent institutions to achieve measurable improvements in degree production to meet the Double the Numbers priorities and produce other state priority degrees -- Incentive funds for statewide priorities: Regional Development Partnership Fund and P-20 Collaboration Fund	-- Student aid allocated based on contribution to state goals, e.g. Commonwealth 21st Century Scholars and KEES (modified)

Summary

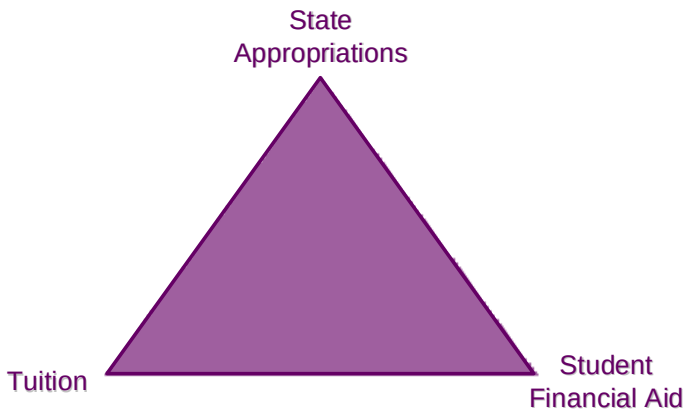
The state policy leadership and coordinating structure established in HB 1 is not working as intended, and the history of the budget process from 1997 through 2007 shows a steady drift away from a strategic alignment with the reform goals. If Kentucky is to achieve the goals of HB 1, coordination, discipline and accountability must be restored. There is widespread agreement that the re-establishment of the CPE as an effective entity is essential to the future of postsecondary reform. Most of those interviewed also agree that a new entity is needed to perform the intended purposes of SCOPE to ensure that the state's elected leaders are fully engaged in the development of the strategic agenda and budgetary framework. To ensure alignment between funding and the pursuit of the reform goals, Kentucky must recommit to the principles of fiscal policy of HB 1.

Affordability

Policy dimensions

A fundamental best practice on postsecondary education finance is the alignment of state policies related to state appropriations, tuition and student financial aid. Figure 26 illustrates these three policy dimensions.

FIGURE 26
Policy Dimensions



State policy should consider:

- Affordability for students in terms of the level of tuition and fees and the availability of student financial assistance. Is the net price (price of attendance less student aid from all sources) reasonable relative to students' personal or family income?

- Affordability for state taxpayers—a realistic assessment of the capacity of the state taking into consideration revenue levels and other financial commitments.

The only way for a state to ensure that it meets these two objectives is to develop a strategic budgeting process that deliberately synchronizes policy decisions regarding state appropriations, tuition policy and student financial aid.

The challenge of meeting the 2020 goals, especially as elaborated in the Double the Numbers campaign, will require a substantial additional investment. Even the most optimistic projections of available state revenues (taking into consideration revenue projections and fixed obligations) would indicate that not all the required revenue increase will be available from state appropriations. Analysis prepared by the Rockefeller Institute predicts that all states in the U.S. face long-term structural deficits over the next decade because the cost of fixed obligations (increases in health, pension and other costs) will outstrip available revenues.

The reality of constrained public resources is that a portion of the costs of meeting the 2020 goals must come from contributions from students and families as well as other

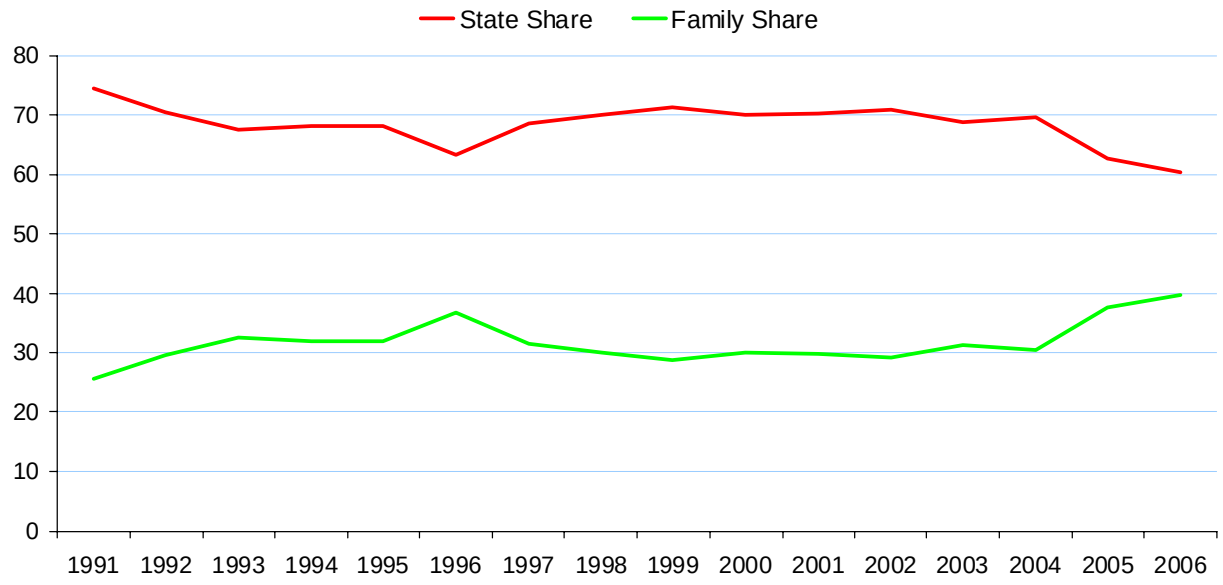
non-state sources. As discussed in the following section, the constraints will also require improvements in system and institutional productivity. This reality makes it imperative that Kentucky pursue a strategic budget approach that ensures alignment among the key policy elements of state appropriation, tuition and student aid.

Increasing student and family share of postsecondary education costs

Despite increased state support, students and families are bearing a higher percentage of the cost of postsecondary education (e.g., tuition); this has been particularly the case since the early 2000s. The sharpest increases were at KCTCS, especially compared to other states.

- The family share (tuition as percentage of total revenues) increased substantially in the past two years from 30.4 percent to 39.7 percent, compared to the national average of 36.1 percent (Figure 27).

FIGURE 27
Family vs. State Share of Appropriations for Public Colleges and Universities



Source: State Higher Education Executive Officers (SHEEO)

- The percentage of family income needed to pay for college at Kentucky public four-year institutions increased from 21.2 percent in 1999 (below the national average of 26.3 percent) to 29.8 percent in 2005 (close to the national average of 30.7 percent). The 8.6 percentage point increase was well above the average national increase of 4.4.

- The percentage of family income needed to pay for college at Kentucky public two-year institutions (KCTCS) increased from 17.1 percent in 1999 (below the national average of 26.3 percent) to 26 percent in 2005 (above the national average of 24 percent). The 8.6 percentage point increase was well above the average national increase of 2.3.

- The share of income of the poorest families needed to pay tuition at the state's lowest priced public colleges (KCTCS) increased from 13.6 percent in 1999 (close to the national average of 13.3 percent) to 24.1 percent in 2004 (significantly about the national average of 15.9 percent). The increase of 10.5 percentage points was well above the average national increase of 2.6.

- To offset some of the rising tuition costs, Kentucky significantly increased funding for state need-based student financial aid. From 1999 to 2005, Kentucky funding of state need-based student grants increased from 28.1 percent of federal Pell grant funding to 41.5 percent of Pell grant funding, above the national average of 39.8 percent.

Lack of an integrated budget strategy

Evidence from the past decade indicates that Kentucky has largely failed to pursue such an integrated, aligned postsecondary education budget strategy:

- The CPE decision in 2000 to delegate authority to set tuition to the institutions coupled with the sharp down-turn in state funding contributed to widely varying tuition increases that bore little relationship to differences in institutional mission or state policies for access and opportunity. In 2006-2007, the CPE reassumed authority to establish the parameters for tuition increases and intends to take a more aggressive role in this area for the 2008-2010 biennial budget.

- State decisions regarding need-based student aid are currently made apart from decisions regarding state appropriations. Nevertheless, the CPE has consistently made an effort to work closely with Kentucky Higher Education Assistance Authority (KHEAA) and to recommend increased funding of need-based student financial aid. KHEAA is the principal source of budget recommendations to the Governor and General Assembly regarding student financial aid, and these recommendations are not made through or in coordination with CPE's recommendations. KHEAA also is able to allocate proceeds from the loan programs operated by its companion organization, the Student Loan People, for operational support and to provide additional funding for student aid programs.[11]

- In recent years, each of the public institutions has substantially increased funding for student financial aid programs from institutional and private resources. These commitments are laudable, but they are not substitutes for a statewide commitment to a well-designed and funded need-based student financial aid program.

- Since lottery proceeds were made available for student aid in the late 1990s, the state has not increased general fund support for need-based student aid. With questions being raised about the adequacy of lottery proceeds to meet the student aid funding obligations, the need for general fund support will increase. The General Assembly will then be faced with the need to balance the appropriations for institutions with funding for student financial aid.

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[11] Recent changes in federal policy are leading to significant changes in the ability of student loan agencies such as KHEAA to use the proceeds from loan operations to support other functions.

It is recommended that the CPE develop and recommend to the Governor and General Assembly a strategic budget to achieve the goals of postsecondary reform that encompasses an integrated set of recommendations regarding state appropriations, tuition, and student financial aid. The CPE budget recommendations should also include:

- Decisions to implement differentiated tuition levels, especially lower tuition at KCTCS compared to the research and comprehensive universities. Lower tuition at KCTCS will require offsetting state appropriations to increase the state's share of funding in that sector.

- Recommendations for funding state student financial aid programs that are administered by KHEAA. The Governor and General Assembly should look to the CPE to develop and recommend a strategic budget to include state student financial aid. In other words, KHEAA should make budget recommendations to the Governor and General Assembly *through* the CPE much as the recommendations for funding of institutions are made *through* CPE. KHEAA should remain a separate corporate entity, but CPE should be responsible for overall policy leadership and coordination for all dimensions of postsecondary education, including student aid policy.

Concerns about affordability

Participants in regional meetings and interviews consistently expressed several concerns:

- Escalating tuition and fees at the state's public institutions. As indicated above, tuition and fees at KCTCS have risen sharply and the price to attend KCTCS, the lowest-priced option in the state, has also increased dramatically as a percent of the income of the poorest students.

- The tendency of many Kentucky students and families to under-value the importance of education, especially the value of completing high school and pursuing postsecondary education.

- The need for greatly expanded and coordinated initiatives for outreach, counseling and related services, targeted especially at students and families beginning as early as the 7th grade at the beginning of middle school.

- The need to simplify, consolidate and focus the state's student financial aid programs in a way that:
  - Provides clear and consistent expectations to each of the major partners in financing—students, families, institutions and the state.
  - Addresses the needs of independent and part-time students.
  - Provides incentives for students, both youth and adults, to be prepared for postsecondary education (for youth to stay in school, take a rigorous high school curriculum and plan for postsecondary education).

- The merit-based KEES scholarship program provides insufficient incentives for students to take a rigorous high school curriculum. Because eligibility is limited to

five years after a student's high school graduation, many adults returning to postsecondary education are ineligible.

Research findings on affordability in Kentucky

As indicated earlier, Kentucky has increased significantly the funding for need-based student financial aid since the 1997 Postsecondary Education Reform Act. Much of this increase can be attributed to the decision in the late 1990s to allow proceeds of the Kentucky Lottery to be used for not only the KEES program, but also the state's need-based program, the College Access Program. The challenge in the future is that proceeds from the lottery may not be able to keep pace with the demands for student aid funding. A 2005 report, *College Affordability in Kentucky*, came to several important conclusions. Key excerpts follow:

- Based on data for those Kentucky students who completed the Free Application for Federal Student Aid (FAFSA), Kentucky higher education is within reasonable range of affordability for most *full-time* students (emphasis added).

- The biggest exception to this is lower-income independent students who do not receive as much state aid as dependent students and face a higher net price, which requires more borrowing. Independent students face the most daunting financial barriers when they enroll in college full-time. Generally, they are older, often have family obligations and are more likely to work full-time compared with traditional-age students. Most are not eligible for the KEES program because of age. The result is that independent students are more likely to attend college part-time than are younger students. Independent students are most likely to attend community colleges, but represent a significant share of enrollment in all sectors.

- High school students significantly over-estimate college costs. For example, most students over-estimated the cost of going to KCTCS at 173 percent of the actual cost and of going to the University of Kentucky at 209 percent of actual cost.

- Outreach and information are important factors in helping students and families make postsecondary plans. Special efforts are needed to help students, especially those from lower-income backgrounds, gain a better understanding of what going to college requires. This includes academic preparation, paying for education and succeeding at the college level.

- Students often undermine their potential to succeed in college by the choices they make about how to save money. These money-saving decisions include putting off enrolling in college to earn money, attending part-time and working full-time and living at home while going to college. Research shows that these choices all reduce a student's chance of graduating. These enrollment decisions represent compromises that many older students find necessary in order to support their families.

Several initiatives are under way to address at least some of the concerns raised by the study. To address the needs related to outreach and information, the CPE in 2000 initiated Go Higher Kentucky (www.gohigherky.org), a public access campaign and web site. In 2006, the General Assembly appropriated $800,000 to expand Go Higher

Kentucky. The next phase is targeting adults in Kentucky with some college but no bachelor's degree, potential transfer students currently enrolled in a KCTCS institution, at-risk middle and high school students and recent GED completers.

In August 2007, the Lumina Foundation awarded a $500,000 grant to the CPE and the Prichard Committee for Academic Excellence for the Kentucky College Access Network (KentuckyCAN), a statewide network to promote college-going throughout Kentucky. Members of the network include local business, civic and faith-based organizations and leaders and P-20 education partners.

The General Assembly appropriated funds to KHEAA for a pilot program to assist part-time, independent students. The new Go Higher Grant gives adults age 24 or older with no previous college experience up to $1,000 for one academic year when they enroll in a participating Kentucky college or university less than half-time, which is usually one or two courses. The award covers tuition and a book allowance of $50 per credit hour.

Alternatives for the future

Despite many efforts to address elements of the affordability issue, the findings from data analysis, interviews and regional meetings conclude that Kentucky needs a major overhaul of its policies to ensure affordability of postsecondary education to all qualified Kentucky students, youth and adults. Elements of a new plan that emerged from the discussions include:

- Consider the adoption of a simplified, integrated need-based student financial aid program based on the principle of shared responsibility among students, families, the state and federal governments and institutions. The plan would employ a Shared Responsibility Model, based on similar programs in Minnesota and Oregon, in which students make the initial contribution to their education, and the program then ensures affordability through a combination of aid from families and taxpayers through both federal and state student financial aid.
    - In contrast to the current College Access Program, the new program would first ask students to contribute to their own education an amount per academic year equal to what they could earn from a 40 hour work-week during the summer and 10 to 15 hours per week during the school year at a minimum wage job or borrow without incurring significant debt (e.g., $4,000 to $4,500 per academic year).
    - The expected family contribution as determined by the Free Application for Federal Student Aid (FAFSA), and federal student aid (Pell grants) would then be added to the student contribution.
    - The Commonwealth of Kentucky would then assure all students that the state would make up the remaining difference between the sum of student contribution, family contribution, and Pell grant, and the cost of attendance at KCTCS or a public university.
    - The CPE would establish the "cost-of-attendance" by public sector based on average tuition and fees established with CPE policy guidelines and an allowance for cost of attendance (adjust for different costs at community colleges compared to universities).

- Students attending Kentucky independent institutions would be eligible for an amount based on the "cost of attendance" at a public comprehensive university. Consideration might be given to integrating the Kentucky Tuition Grant program, the current program for students attending independent institutions.
- Students would be able to "earn" their student contribution through a KEES Scholarship or participation in the proposed Commonwealth 21st Century Scholars Program.
- The new program would replace the College Access Program (the state's need-based student aid program).

- Consider the establishment of a new Commonwealth 21st Century Scholars Program as a way of raising the educational aspirations of low- and moderate-income families.
  - The goals of the new initiative would be to:
    - Help more students continue their educations.
    - Reduce the high school dropout rate.
    - Prepare students for the workforce.
    - Decrease the use of drugs and alcohol among middle and high school students.
    - Improve individual economic productivity and the quality of life for all residents.
  - Income-eligible 7th- and 8th-graders who enroll in the program, take a specified core curriculum designed to prepare students for postsecondary education and a living-wage job, and fulfill a pledge of good citizenship to the state are assured the cost of four years of undergraduate college tuition at any participating public college or university in Kentucky. If the student attends a private institution, the state will award an amount comparable to that of a public institution. If the student attends a participating proprietary school, the state could award a tuition scholarship equal to the expected student contribution under the new Shared Responsibility program (see above).

- Modify state student financial aid policy to increase the eligibility of part-time and independent students.

- Consider changes in KEES to:
  - Require students to take a rigorous curriculum aligned with preparation for postsecondary education as a condition for eligibility.
  - Increase the minimum ACT score required to receive a scholarship to the levels established by the CPE for placement in credit-bearing courses (19 in math and 21 in English).
  - Extend the period of eligibility to ensure that young adults who have been out of high school for more than five years are eligible for KEES scholarships based on ACT scores and postsecondary performance.

- Provide incentives for acceleration through the system: dual or concurrent enrollment; completion in less than usual program time.

- Consider alternatives to provide incentives for students to complete postsecondary education expeditiously. For example, the state could forgive loans for students who are eligible for the federal SMART program (a program for students who are Pell-grant eligible in their junior and senior years who are pursuing STEM fields) provided the student completes a bachelor's degree in less than five years (10 semesters). The maximum loan forgiveness could be an amount equal to half the state subsidy that would be required for a year of study.

Summary

Students and families are bearing a higher percentage of the cost of postsecondary education. In relationship to family incomes in Kentucky, the Commonwealth's postsecondary system remains reasonably affordable for *full-time* students. Nevertheless, serious gaps exist in affordability for part-time and independent students. Participation and success in postsecondary education, especially for first-generation students, is seriously hampered by lack of effective guidance and counseling of students beginning as early as 7th and 8th grade, the lack of incentives for students to take the right courses and stay in school to prepare for college and the complexity of the student aid programs. Kentucky needs a major overhaul of its policies to ensure affordability of postsecondary education for all qualified Kentucky students—both youth and adults.

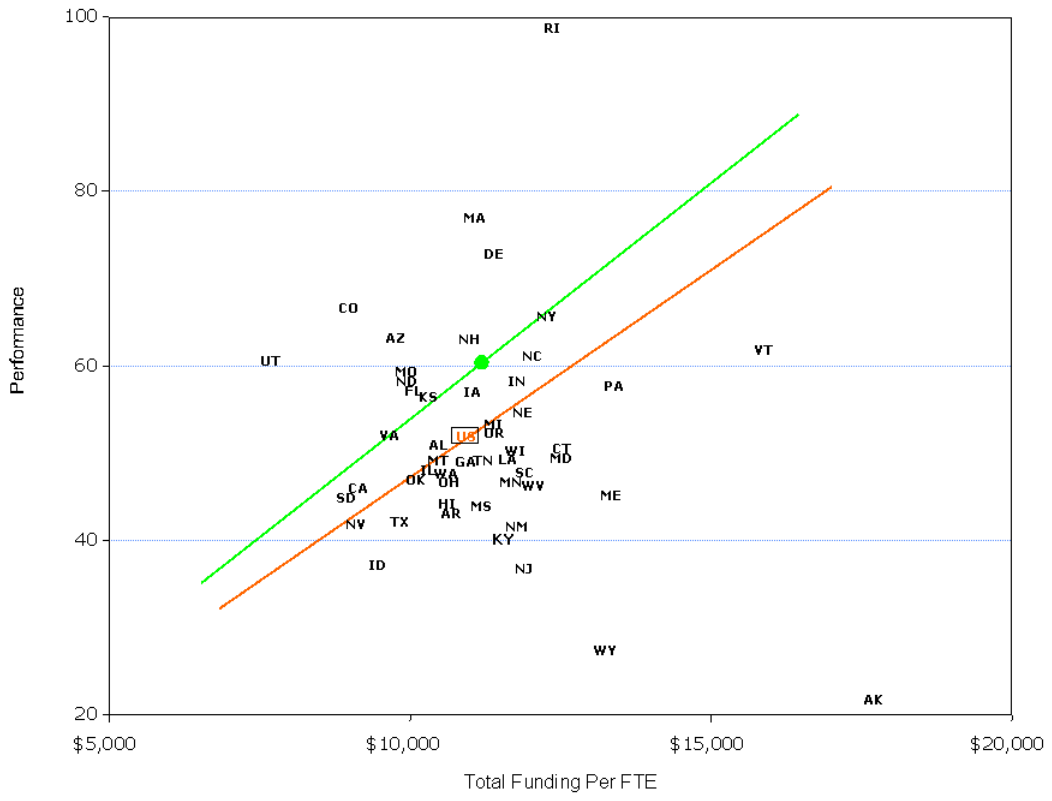
System and institutional productivity

As discussed in the previous section, the challenge of meeting the 2020 goals, both developing institutional capacity (Goal A) and the ultimate goal (Goal B), will require substantial additional investment. It is unrealistic to assume that these resources will come only from additional state appropriations. It would also be a serious mistake to shift the additional costs to students or to expect sufficient additional funding to come from private sources (e.g., endowments). This leaves no alternative but to make significant sustained improvements in the productivity of the postsecondary system, that is, a significant increase in degree production in a more cost effective manner.

The intent of the sponsors of HB 1 was that the postsecondary education reforms would achieve significant productivity gains through a more seamless education system. Nevertheless, evidence suggests that Kentucky has a more severe "productivity gap" than many other states. Figure 28 displays the relationship between state performance in terms of bachelor's degrees as a percent of high school graduates six years earlier and total state funding per full-time equivalent student. The figure shows that Kentucky produces comparatively fewer bachelor's degrees for the level of funding than other states. These data include degrees granted by both public and independent institutions in Kentucky and total funding includes revenue from state and local funding plus required tuition and fees.

FIGURE 28

Bachelor's Degrees as a Percent of High School Graduates Six Years Earlier, 2003, In Relationship to Total Funding Per FTE Students



No single solution is available to tackle the productivity gap. There is a need for both sustained public investment *and* more effective resource use. In other words, productivity improvements will not offset the need for increased public investment. The solution will require changes in both institutional practice and public policy. Solutions must focus on quality, cost and access—they should not sacrifice one (e.g., quality or access) to make progress on another (e.g., cost containment).

Alternatives for productivity improvement come in several categories.

- Building more cost effective systems:
  - A more appropriate mix of institutions such as placing more emphasis on KCTCS and the comprehensive universities than on research universities to accommodate increased enrollments.
  - Creating new types of providers or modes of provision such as making greater use of the Kentucky Virtual Campus and the delivery of instruction and programs

through a combination of on-line instruction and on-site mediation at higher education centers.

  - Increased collaboration among institutions.
  - Taking full advantage of the contributions of Kentucky's independent colleges and universities as means to reach the state's degree production goals and other state and regional priorities.

- Changing the academic production function, either within individual institutions or between and among institutions:
  - Creating programs of cost-effective size through elimination of programs in some cases and collaboration to achieve economies of scale.
  - Re-engineering curricula and course delivery.
  - Changing the composition and deployment of human resources, e.g., faculty.

- Reducing the demands that each student places on the system:
  - Increasing the preparation of students for college-level study, e.g., reducing the need for developmental education and minimizing the need for "rework" as students transfer among institutions and move through the system.
  - Accelerating learning, e.g., through advanced placement, dual enrollment and other means to accelerate the transition from secondary education to higher education, competency-based certification of prior learning, expedited transfer among institutions.
  - Incentives for improved rates of course completion.
  - Reducing credit hours required to attain degrees.

- Reducing leaks in the education pipeline. As emphasized throughout this report, strategies include:
  - Alignment of standards, curricula and assessments between secondary and postsecondary education, between KCTCS and transfer institutions, and between adult education and postsecondary education.
  - Incentives in the student financial aid system as recommended in the previous section of this report.
  - Programs such as the Commonwealth 21st Century Scholars proposal that combine early information about requirements for college-level learning, requirements for students to stay in school, take the right courses, and make progress through the education pipeline to a degree.

Several policy tools are available to spur action on these alternatives at the institutional and system levels in Kentucky:

- Each institution should be held accountable for achieving productivity gains through the multi-year institutional agreements recommended earlier in this report.

- State budget recommendations should include an assumed "productivity improvement" in the allowance for inflationary/cost-of-living increases in base budgets.

- When feasible, state funding for special initiatives should require an institutional "match" in the form of reallocation of existing resources toward state and institutional priorities (e.g., the institutional capacity goals of HB 1).

- State financing policy should provide incentives for statewide and regional collaboration between K-12 and postsecondary education and among postsecondary institutions, public and independent, at the regional level.

- The CPE should take the lead in advancing system wide productivity improvements, drawing on the examples listed above.

Summary

The challenge of meeting the 2020 goals, both developing institutional capacity (Goal A) and the ultimate goal (Goal B), will require a substantial additional investment. It is unrealistic to assume that these resources will come only from additional state appropriations. The cost of reform should not be shifted primarily to students and families. Additional funding from private sources (e.g., endowments) will be insufficient to fill the gap. This leaves no alternative but to make significant sustained improvements in the productivity of the postsecondary system, that is, a significant increase in degree production in a more cost-effective manner.

Kentucky produces comparatively fewer bachelor's degrees for the level of funding than other states. No single solution is available to tackle the productivity gap. There is a need for both sustained public investment *and* more effective resource use. Solutions must focus on quality, cost and access—they should not sacrifice one (e.g., quality or access) to make progress on another (e.g., cost containment).

Kentucky Realities

The interviews and regional meetings underscored certain Kentucky "realities" that efforts to achieve the 2020 goals must consider:

- The General Assembly sets policy in Kentucky and firmly guards this responsibility. It will not delegate this responsibility to any agency.
- Regionalism in Kentucky is both a strength and a political reality.
  - Kentucky is a collection of regions each with a distinct economy, culture and relationships.
  - Regions can be the "communities of solutions," given the high degree of interdependence among education levels within a region: Most students graduating from high school attend colleges within their region; students transfer from community colleges to four-year public and independent institutions in their region. Teachers within a region generally graduated from a comprehensive institution in their region. Adults completing their GEDs attend community and technical colleges within their region.
  - Regions are also a political reality: Given the composition of the legislature, a reasonable political balance among the state's regions is essential for successful policy development.

Criteria for Policy Alternatives

- Engage the General Assembly in the effort to sustain progress toward the goals of HB 1 (KRS 164.003(2)).
- Develop regional strategies to address the unique needs of different parts of Kentucky.
- Balance regional strategies with statewide policy frameworks and policies and incentives for strategic alliances across regions and between major institutions such as UK and U of L and every region in the state.
- Take advantage of all available resources, including the capacity of Kentucky's independent colleges and universities, to achieve the HB 1 goals.
- Re-engage the business community as a critical force in mobilizing public support for reform, sustaining attention to reform by the Governor and General Assembly, and increasing the understanding of students of the economic and intrinsic value of education.

Recommendations & Suggested Action Steps

To the Governor and General Assembly

1. Reaffirm Kentucky's commitment to achieve the HB 1 goals by 2020

- Give priority to both inter-related goals:
  - Goal A: Institutional "capacity" goals for the postsecondary education system.
  - Goal B: The ultimate goal to be achieved by 2020: to develop "… a society with a standard of living and quality of life that meets or exceeds the national average."
- Affirm the goal to develop a major comprehensive research university – the University of Kentucky – ranked nationally in the top twenty public universities; a premier, nationally recognized metropolitan research university – the University of Louisville; comprehensive universities with nationally recognized programs of excellence and nationally recognized applied research programs; a comprehensive community and technical college system; and, a coordinating system to deliver educational services comparable to or exceeding the national average to all adult Kentuckians.
- Support the campaign to Double the Numbers by 2020 to increase Kentucky's educational attainment to a level that meets or exceeds the national average.
  - Adopt additional goals that establish the goal of reaching the education attainment levels of the most competitive nations by 2025 and set benchmarks referenced to the U.S. and OECD countries.
  - Emphasize that Kentucky must also increase degree attainment at both the associate and bachelor's degree levels to reflect the needs of Kentucky's current economy, realistic goals for the existing adult population (GED recipients), as well as the role of KCTCS in increasing transfers.
- Clarify the institutional capacity goal for the comprehensive universities to emphasize regional stewardship to underscore the role of these universities in uplifting the education attainment, quality of life and innovation-based economies of their regions.

2. Redefine the overall goal for Kentucky to shape a comprehensive, integrated strategy to develop a seamless education system, Preschool through 20, beginning with early childhood through elementary and secondary education, postsecondary education, adult and lifelong learning.

- Establish long-term goals, benchmarks and indicators to monitor and report on progress at each level of the system (readiness for school, readiness for middle

school, readiness for high school, readiness for college and work in a living-wage job, etc.).

- Establish a new P-20 Trust Fund, to be jointly administered by the Kentucky State Board of Education and the Council for Postsecondary Education. The fund would:
  - Support statewide projects to ensure alignment of standards, curriculum and assessments between secondary education, adult education and postsecondary education.
  - Provide incentives for regional strategies (involving P-12 and public and independent postsecondary representatives) to achieve measurable improvements in the movement of students through the education pipeline to postsecondary education degrees (This could provide funding for local P-16 councils.)

- Call upon the Governor to establish a panel to define the specific tasks and policy changes needed to develop a seamless P-20 system.
  - Charge the panel to:
    - Make recommendations for improved alignment of the assessments currently being used or proposed for secondary education with the transition to postsecondary education and the workforce. Use the state's participation in the American Diploma Project as a means for external analysis and advice on alternatives. Consider options for Kentucky's participation in international assessments of student learning to enable benchmarking of Kentucky's performance at a global level.
    - Make recommendations on structures and policies needed to sustain statewide and regional P-20 leadership and initiatives.
  - Include in the membership the leadership of the General Assembly, business and civic leaders and state education representatives.

3. Make the partnership between postsecondary education and community and economic development a central priority at the state and regional levels

- Support the new leadership of the Cabinet for Economic Development in the efforts to change the focus of economic development to emphasize high-skill, high-wage jobs, and to link community and economic development to education throughout the state.

- Give priority to linking higher education to the future economy and quality of life of the diverse needs of each of Kentucky's regions.

- Establish a new Regional Development Partnership Fund to include two inter-related initiatives:
  - The current Regional Stewardship Program for comprehensive universities.

- A regional community and economic development incentive program, administered by the Cabinet for Economic Development (CED) in collaboration with the Council on Postsecondary Education (CPE). The program would provide incentive funding to regions to undertake community and economic development planning in partnership with postsecondary education. The conditions for regional participation would be set jointly by the CPE and the CED.

- Ensure access to programs leading to bachelor's degrees through higher education centers in regions without an existing public university within commuting distance. Call upon the CPE to assume its statutory responsibility for ensuring access to postsecondary education through higher education centers in a manner that provides for:
  - Strong community leadership in defining needs.
  - Incentives for communities interested in developing centers to obtain non-state funding to complement state funding for constructing any new facilities. Obtaining non-state funding for facilities should not be a condition for a community's eligibility for a center. The aim of incentives should be to encourage local "ownership" in developing and maintaining the facility. Priority is given to use of existing facilities (e.g., community college or independent college facilities).
  - State funding for core center capacity: technology and essential student services.
  - An open-provider policy that may give the right of first refusal to the regional state university but allows the center to obtain needed programming from other providers. Consider providing state general fund appropriations to the CPE to allocate to regions/centers to provide leverage in "buying in" needed programs (e.g., cohort programs) in cases in which there is a high community need but with numbers and anticipated revenue insufficient to attract an institution willing to provide a complete program.

4. **Recommit to complying with the budgetary framework for postsecondary education originally established by HB 1, to provide discipline and accountability in the budget decisions necessary to meet the 2020 goals**. Follow these principles:

- Recommit the state to the basic framework outlined in HB 1, including:
  - Base funding for each institution, adjusted for inflation/cost-of-living and an expectation of productivity improvement.
  - Funding for building institutional capacity through the Strategic Investment and Incentive Trust Funds related to each major sector: research universities, comprehensive universities and KCTCS.

- Funding for the other trust funds specified in HB 1.
- Funding for statewide priorities.

- Create and maintain institutional capacity to achieve the HB 1 goals, including *both*:
  - The institutional capacity goals (Goal A).
  - The ultimate goal of increasing education attainment and per capita income (Goal B), as reflected in the Double the Numbers campaign.

In other words, the budget should focus on not only the Double the Numbers goals, but also the institutions' needs to build capacity elaborated in multi-year agreements (based on institutional business plans) to achieve the goals specified in HB 1 (Goal A).

- Provide funding for statewide priorities organized according to a limited number of strategic funds:
  - Performance funding for institutions to make measurable improvements in degree production to meet the Double the Numbers goals and other state priority degrees. Kentucky independent colleges and universities should be eligible for performance funding for increases in degrees granted to Kentucky residents.
  - A P-20 collaboration fund, jointly administered by the KDE and CPE, to support statewide P-20 initiatives and provide funding for local regional collaboration. Included in this fund should be support for local P-16 councils and other inter-sector initiatives.
  - A Regional Development Partnership Fund, jointly administered by the Cabinet for Economic Development and CPE, to include two inter-related components: funding for continued implementation of the Regional Stewardship initiative and incentive funding for regional community and economic development.

- Adhere to the provisions of the Trust Funds as in HB 1 for allocations among institutions (e.g., two-thirds for UK and one-third for U of L, for the Research Challenge Fund), but add a performance/incentive component to each of the three institutional sector Trust Funds. This pool could be funded by either general fund appropriations or bonding. The purpose of the pool would to be to provide flexibility for rewarding institution performance determined through the multi-year agreements between each institution and the CPE. Performance should emphasize the unique missions of each sector:
  - Research university performance for UK and U of L, including links between research performance and regional innovation/economic development.

- Regional stewardship for the comprehensive universities.
- Workforce development for KCTCS.

- Sustain state support (through either general fund appropriations or bonding) for the Endowment Match Program (Bucks for Brains) as a means to support achievement of the institutional capacity goals (Goal A) of HB 1.

- Adhere to the statutory provisions that allow general fund appropriations to the Trust Funds to be retained from one biennium to the next and for interest earnings to be available to support initiatives within the purposes of the Trust Fund.

- Increase flexibility for the research universities to obtain capital financing through institutional bonding authority.

- Establish an accountability framework of multi-year agreements mutually negotiated between the CPE and each institution. Funds appropriated to each institution for base budgets, trust funds, statewide priorities, and other purposes, should be allocated within the framework of these agreements. The agreements should:

    - Build upon the institutional business plans prepared in anticipation of the 2008-2010 budget.
    - Include agreed upon metrics for institutional accountability for meeting both the institutional capacity goals relevant to the institution (Goal A), and state priorities (Goal B), e.g., Double the Numbers.
    - Consolidate the provisions for institutional accountability for special statewide initiatives such as Developmental Education.
    - Include explicit provisions for productivity improvements designed to increase the cost-effectiveness of degree production without compromising quality and accessibility.
    - Provide an open, transparent means for institutional accountability to the Governor and General Assembly.

- Align state policies and actions on state appropriations, tuition and student financial aid. This should include:

    - Differentiated tuition among sectors, including maintaining comparatively low tuition (offset by increased state general fund support) at KCTCS compared to the other public institutions.
    - Recommendations for general fund support for state student aid programs administered by KHEAA.
    - Changes in student aid policy as necessary to meet the goals of HB 1.

5. **Guarantee affordable access to postsecondary education for all qualified Kentuckians on a "last dollar" basis, and simplify and consolidate state student aid programs.** Specific alternatives to implement this recommendation include:

- Adopt a simplified, integrated, need-based student financial aid program based on the principle of shared responsibility among students, families, the state and federal governments and institutions. The plan would employ a Shared Responsibility Model in which students make the initial contribution to their education, and the program then ensures affordability through a combination of aid from families and taxpayers through both federal and state student financial aid.

- Establish a new Commonwealth 21st Century Scholars Program targeted at low-income 7th- and 8th-graders who enroll in the program, take a specified core curriculum designed to prepare students for postsecondary education and a living-wage job, and fulfill a pledge of good citizenship to the state. These students would be guaranteed the cost of four years of undergraduate college tuition at any participating public college or university in Kentucky. The program would be designed to reach all eligible Kentucky students and would be informed by elements of such existing efforts as GEAR UP and the Kentucky Scholars project.

- Modify state student financial aid policy to increase the eligibility of part-time and independent students.

- Make changes in KEES to:
  - Require students to take a rigorous curriculum aligned with preparation for postsecondary education as a condition for eligibility.
  - Increase the minimum ACT score required to receive a scholarship to the levels established by the CPE for placement in credit-bearing courses (19 in math and 21 in English).
  - Extend the period of eligibility to ensure that young adults who have been out of high school for more than five years are eligible for KEES scholarships based on ACT scores and postsecondary performance.

- Provide incentives for acceleration through system: dual or concurrent enrollment; completion in less than usual program time.

6. **Re-establish a mechanism to ensure full participation of the Governor and General Assembly in shaping the strategic agenda for achieving the goals of HB 1 (Goals A and B) and the related Double the Numbers goals, and for developing a strategic budget necessary to achieve these goals**.

- Replace the Strategic Committee on Postsecondary Education (SCOPE) with a smaller entity, the Postsecondary Planning and Budget Committee. Include in the membership:
  - The Governor and executive branch representatives including the State Budget Director and Secretary of the Economic Development Cabinet.

- Legislative Leaders, including leaders from the Senate and House education and appropriations and revenue committees.

- Provide for the Governor to serve as chair.
- Provide for the Committee to be staffed by the Legislative Research Commission (LRC).
- Provide for the Postsecondary Planning and Budget Committee to approve the CPE Strategic Agenda to Achieve the Goals of HB 1, an updated Strategic Agenda for each biennium.
- Authorize the Postsecondary Planning and Budget Committee to appoint subcommittees to address specific issues. Depending on the issue to be addressed, these subcommittees could include institutional presidents, representatives from the CPE and business and civic leaders.

7. **Re-establish the CPE as an independent, non-partisan policy leadership entity outside the Education Cabinet with direct access to the Governor and to the leadership across state government as intended by HB 1.**

- Establish a direct link with the Cabinet for Economic Development by placing the President of the CPE on the Economic Development Policy Board.
- Call upon the Governor to make appointments to the CPE that represent the most prominent business and civic leaders across the diversity of the state's population.
- Consolidate and streamline multiple initiatives relating to institutions within the framework of the negotiated multi-year agreements and the Strategic Investment and Incentive Funds relevant to each institution (see budget process principles).
- Authorize the Council to establish salaries and compensation of senior professional staff (e.g., Vice Presidents) at levels competitive with comparable positions at the public universities.
- Make clear the CPE role in shaping policy and budget recommendations for student financial aid in collaboration with KHEAA.

To the Kentucky Chamber of Commerce

8. Establish an entity charged with monitoring progress of reform and gaining support of the Governor and General Assembly for sustaining reform.
9. Support, in collaboration with the Governor, a renewed public campaign focusing on the value of education: not only the economic value but also the intrinsic value in terms of independence, appreciation of arts and culture, civic participation and the role that parents can play in encouraging their own children to enjoy and excel in education.

10. Encourage local groups willing to assume the leadership role in their regions to create strategic plans regarding economic and human capital development (much like the plans developed in Northern Kentucky and Louisville).

11. Communicate to employers the key ways that they must send far stronger signals to employees, and therefore to parents and students, that staying in school, taking the right courses, and pursuing postsecondary education are critical steps to earning a living wage in the global economy:

- Requiring a high school diploma or equivalent for employment, or employer-supported education to get a GED.
- Use of ACT WorkKeys.
- Recognition of the Kentucky Employability Certificate.
- Commitment to continuous training and upgrading of employees.

12. Sponsor an annual summit engaging the state's policy leaders in stock-taking on the status of reform and progress toward the 2020 goals.

APPENDIX I

Members of the Kentucky Chamber of Commerce Postsecondary Education Task Force

Chairman
Victor A. Staffieri
Chairman, CEO and President
E.ON U.S. LLC
Louisville

Norma B. Adams
Attorney (retired)
Adams & Venters
Somerset

James P. Campbell
President and CEO
GE Consumer & Industrial
Louisville

Joan Coleman
President – Kentucky
AT&T
Louisville

Luther Deaton
Chairman / President / CEO
Central Bank & Trust Co.
Lexington

Charles P. Denny
President and CEO
National City – Kentucky Banking
Louisville

Bryan A. Galli
President, COALSALES
Peabody Energy Corporation
St. Louis, MO

John W. Gamble, Jr.
Executive Vice President and CFO
Lexmark International
Lexington

C. Edward Glasscock
Co-Managing Partner
Frost Brown Todd LLC
Louisville

Jean Hale
Chairman, President and CEO
Community Trust Bancorp, Inc.
Pikeville

Paula C. Hanson
CPA, Shareholder
Dean, Dorton & Ford, PSC
Lexington

Alice K. Houston
President
Houston-Johnson, Inc.
Louisville

William M. Lear, Jr.
Managing Member
Stoll Keenon Ogden PLLC
Lexington

Robert L. Lekites
Vice President, UPS Airlines & International Operations
UPS
Louisville

Michael B. McCallister
President and CEO
Humana Inc.
Louisville

Timothy C. Mosher
President and Chief Operating Officer
Kentucky Power
Frankfort

Helen Mountjoy
Executive Vice President
Greater Owensboro Economic Development Corp.
Owensboro

Jim O'Brien
Chairman & CEO
Ashland Inc.
Covington

Michael A. Owsley
Partner
English, Lucas, Priest & Owsley LLP
Bowling Green

Benjamin K. Richmond
President and Chief Executive Officer
Louisville Urban League
Louisville

T. William Samuels Jr.
President / CEO
Maker's Mark Distillery, Inc.
Louisville

Steve St. Angelo
President
Toyota Motor Manufacturing of Kentucky, Inc.
Georgetown

Kelly Swartz
Site President
Citi Cards
Citicorp Credit Services, Inc.
Florence

Jude Thompson
President, Individual Business
Anthem Blue Cross and Blue Shield
Louisville

Paul C. Varga
President and Chief Executive Officer
Brown-Forman
Louisville

John Williams
Chairman
Computer Services, Inc.
Paducah

APPENDIX II

Individuals interviewed as part of the research conducted for this report included:

- Governor's staff
  - Stan Cave, Chief of Staff
  - Brad Cowgill (as Budget Director and then Interim President of CPE)
- Legislative Leaders
  - Senator Charles Borders
  - Representative Larry Clark
  - Representative Harry Moberly
  - Representative Frank Rasche
  - House Speaker Jody Richards
  - Senate President David Williams
- Former Governor Paul Patton
- Council on Postsecondary Education
  - John Turner, CPE Chair
  - Tom Layzell, CPE President
  - Brad Cowgill, Interim CPE President
  - Senior CPE staff (as group)
- Presidents
  - Dr. Mike McCall, KCTCS President and Dr. Keith Bird, Vice President
  - Dr. Lee Todd, University of Kentucky, including follow-up meetings with UK staff at the President's request: Angie Martin and Bill Swinford
  - Dr. Jim Ramsey, University of Louisville
  - Dr. Jim Votruba, Northern Kentucky University
  - Dr. Wayne Andrews, Morehead State University
  - Dr. Gary Ransdell, Western Kentucky University
  - Dr. Randy Dunn, Murray State University
  - Dr. Mary Evans Sias, Kentucky State University (brief meeting to be followed up after her return from leave)
  - Dr. Doug Whitlock, President, Eastern Kentucky University (at regional meeting and trustees conference)

- State Auditor: Crit Luallen and Former State Senator Joe Meyer
- Gary Cox, President, Association of Independent Kentucky Colleges and Universities in Kentucky
- Robert Sexton, Executive Director, Prichard Committee for Academic Excellence
- LRC Staff
  - Audrey Carr
  - Jonathan Lowe
  - Ruth Webb

Comments from Kentucky employers, educators, civic leaders and citizens were gathered during regional forums conducted in:

- Ashland
- Bowling Green
- Lexington
- Louisville
- Northern Kentucky
- Owensboro
- Paducah
- Pikeville
- Somerset