

MINUTES
Kentucky Community and Technical College System
Board of Regents Meeting
March 10, 2017

Board Members Present:

Ms. Ellen R. Braden
Mr. Robert G. Cooper
Ms. Lisa V. Desmarais
Dr. Angela Fultz
Dr. Gail R. Henson
Mr. Montre'ale L. Jones
Ms. Mary R. Kinney

Mr. Porter G. Peeples, Sr.
Ms. Marcia L. Roth
Mr. James Lee Stevens
Mr. Donald R. Tarter
Ms. Tammy C. Thompson
Mr. Mark A. Wells

Board Member Absent:

Mr. Barry K. Martin

CALL TO ORDER

KCTCS Board of Regents Chair Marcia Roth called to order the meeting of the Kentucky Community and Technical College System Board of Regents at 9:00 a.m. (ET) on March 10, 2017. The meeting was held at the KCTCS System Office in Versailles, Kentucky. The press was notified of the meeting on March 1, 2017. Hon. Mike Murray, KCTCS General Counsel, served as parliamentarian.

There being a quorum present, the meeting began with the approval of minutes.

**APPROVAL OF
MINUTES**

Chair Roth asked if there were any corrections to the December 1, 2016, workshop minutes presented in the meeting materials. There being none, the minutes were declared approved as presented.

Chair Roth asked if there were any corrections to the December 2, 2016, minutes presented in the meeting materials. There being none, the minutes were declared approved as presented.

**ADDITIONS OR
CHANGES TO THE
AGENDA**

Chair Roth asked for any changes to the agenda. Regent Cooper asked to add an action item to the agenda when the Finance, Technology, and Human Resources Committee report is given. The agenda item is related to the increased authorization needed for the Owensboro Community and Technical College Advanced Technology Center, Phase II BuildSmart project. There was no objection, therefore the agenda item, *Increased Authorization for Owensboro Community and Technical College Advanced Technology Center, Phase II – BuildSmart Project*, was added to the end of the agenda.

**ACKNOWLEDGE-
MENT OF MEETING
HOSTS AND
INTRODUCTION OF
GUESTS**

Chair Roth welcomed guests to the meeting. She thanked KCTCS President Jay K. Box for hosting the Board for dinner Thursday evening. She also thanked the staff for their hospitality.

CHAIR'S REPORT

KCTCS Board of Regents Chair Roth asked Regent Wells to share information about representing the KCTCS Board of Regents at the Bellwether Awards. The Bellwether Awards annually recognize outstanding and innovative programs and practices that are successfully leading community colleges into the future.

Chair Roth shared that, at the request of the Executive Vice President of Research Dr. Narcissa Polonia from the Association of Community College Trustees (ACCT), Dr. Angela Fultz has been asked to participate on the ACCT advisory group in order to provide input about how to improve ACCT's services to state governing boards similar to the KCTCS Board of Regents.

Chair Roth announced that Regent Peeples received the Josephine Abercrombie Award at the annual Vision Awards Breakfast for his work with the Urban League, dating back to 1972 and including job training, housing, education, human rights, and advocacy. The annual Vision Awards Breakfast is a time-honored tradition in Central Kentucky paying tribute to the best of the 18-county Bluegrass Region each year, related to improving quality of life and place.

Chair Roth noted that each Board member was provided KCTCS Board Member Business Cards as previously requested.

Chair Roth announced that the KCTCS board officer elections were scheduled to occur at the June 9, 2017 meetings in accordance with the KCTCS Board of Regents Bylaws 2.1. The Board Officers serve two-year terms beginning July 1, 2017, through June 30, 2019. Chair Roth appointed the Nominating Committee to develop the slate of officers to present to the Board at the June 9, 2017, meeting at Somerset Community College. Regent P.G. Peeples will serve as chair of the committee and Regents Angela Fultz and Donald Tarter will serve on the committee.

**PRESIDENT'S
REPORT**

KCTCS President Box introduced Dr. Juston Pate, the newly appointed President of Elizabethtown Community and Technical College, effective January 1, 2017. He also noted that President of Hopkinsville Community College Dr. Jay Allen, President of Jefferson Community and Technical College Dr. Ty Handy, and President of Bluegrass Community and Technical College Dr. Augusta Julian were in attendance. Each President gave a brief update on their college.

The complete President's Report presented at the meeting is available at: https://publicsearch.kctcs.edu/board/Board%20Meetings/2017/201703/FINAL%20March2017_President%27sReport_3.3.17.pdf

**CONSENT
AGENDA**

Chair Roth asked if there were any changes to the consent agenda. There being none, the agenda was approved as presented.

RECESS

The Committee recessed at 10:10 a.m. (ET) and reconvened at 10:22 a.m. (ET).

**EXECUTIVE
COMMITTEE**

Chair Roth called upon Executive Committee and Board of Regents Vice Chair Gail Henson to make the committee's report.

**ACTION: REVISION
OF MISSION
STATEMENT FOR
HOPKINSVILLE
COMMUNITY
COLLEGE**

RECOMMENDATION: That the KCTCS Board of Regents approve the revision of the mission statement for Hopkinsville Community College (HCC) as presented in the agenda materials.

Dr. Henson noted that it is the policy of the KCTCS Board of Regents that each SACS-accredited college under the jurisdiction of the KCTCS Board of Regents has a statement of purpose approved by the governing board and that the KCTCS Board of Regents periodically review and approve mission statements of each SACS-accredited college. It is also the policy of KCTCS that the college mission statement be reviewed annually and that the mission statement shall be submitted to the KCTCS Board of Regents for approval at least once every three years.

Dr. Henson noted that Dr. Allen and his Cabinet were charged with the mission statement review. HCC's mission statement had been renewed in 2015 with no changes in light of the timing of the development process of the 2016-22 Strategic Plan. In 2016, Dr. Allen gathered input from faculty via email in early November.

The HCC Leadership Team recommended adding the following to the end of the mission statement, "*and enables students to be responsible citizens in a global society.*" The faculty and staff voted to approve the revised mission statement via electronic balloting conducted November 14-21, 2016. The HCC Board of Directors approved the final version of the revised mission statement at their meeting on November 29, 2016.

MOTION: On behalf of the Executive Committee, Dr. Henson moved that the KCTCS Board of Regents approve the revision of the mission statement for Hopkinsville Community College (HCC) as presented in the agenda materials.

Chair Roth called for discussion. There being none, she called for the vote.

VOTE: The motion was approved unanimously.

**ACTION: RENAMING
OF THE LEARNING
RESOURCE CENTER
ON THE MAIN
CAMPUS OF
HOPKINSVILLE
COMMUNITY
COLLEGE**

RECOMMENDATION: That the KCTCS Board of Regents approve renaming of the Learning Resource Center on the Main Campus at Hopkinsville Community College (HCC) as requested by President Jay Allen and endorsed by the HCC Board of Directors and the HCC Foundation, Inc. Board of Directors.

Dr. Henson noted that HCC is seeking approval to rename the current Learning Resource Center to The Rotary Club of Hopkinsville Learning Resource Center in recognition of Hopkinsville's Rotary Club financial support. The proposed name change has been discussed with HCC Board of Directors and the College Foundation, Inc., they both agreed to the recommended change as presented in the agenda materials.

It was also noted that the Hopkinsville Rotary Club has historically supported education and youth programs in Christian County. In the past 67 years, the Rotary sponsored auction and Rotary student loan program have grown dramatically. The fund has provided over \$10.6 million in student loans to area students to further their post high school education. Over 10,287 students have benefited from this effort.

MOTION: On behalf of the Executive Committee, Dr. Henson moved that the KCTCS Board of Regents approve renaming of the Learning Resource Center on the Main Campus at Hopkinsville Community College (HCC) as requested by President Jay Allen and endorsed by the HCC Board of Directors and the HCC Foundation, Inc. Board of Directors.

Chair Roth called for discussion. There being none, she called for the vote.

VOTE: The motion was approved unanimously.

**INFORMATION:
KCTCS BOARD OF
REGENTS 2018
REGULAR MEETING
CALENDAR**

Dr. Henson noted that according to KRS 164.340, the KCTCS Board of Regents is mandated to meet quarterly. Board compliance with this mandate has evolved into a two-day meeting format on Thursdays and Fridays with the meetings scheduled to avoid holidays in March, June, September, and December. The Board has held special meetings as necessary under the conditions set forth in Section 4 of the *KCTCS Board of Regents Bylaws*.

The Regents were asked to review their calendars and let staff know by April 30, 2017, whether they are available to attend meetings on March 15-16, 2018; June 14-15, 2018; September 13-14, 2018; and, December 6-7, 2018. The proposed dates do not conflict with federal or religious holidays.

Dr. Henson noted that the Board's 2018 regular meeting calendar would be adopted at the June 9, 2017 Board of Regents meeting.

**UPDATE: 2017
LEGISLATIVE
AGENDA**

Dr. Henson reported that President Box reviewed the legislative bills monitored by KCTCS during the 2017 General Assembly with the Executive Committee. She shared that the Legislature is in a non-budget legislative session that is scheduled to adjourn on March 30, 2017. Dr. Henson noted that President Box continues to travel to Frankfort to meet with legislators to discuss KCTCS priorities, improve relationships, and establish new ones with the newly elected legislators. President Box will continue to keep the Board updated until the legislative session ends.

**INFORMATION:
KCTCS PRESIDENT
ANNUAL
PERFORMANCE
REVIEW PROCESS**

Chair Roth noted that President Box distributed a web-based version of his accomplishments of his 2017-18 Goals and Objective thus far on February 24, 2017 via email to the Board. At the Executive Committee meeting, President Box presented highlights of his accomplishments using the new web-based format.

Chair Roth shared that in mid-May President Box will finalize his accomplishments for the 2016-17 evaluation period and provide to the Board of Regents a final report in order to approve his performance evaluation at the June 8-9, 2017 Board of Regents meeting. She also noted that any contract revisions would be discussed and made during the June 8-9, 2017 Board of Regents meeting.

**EFFICIENCY,
EFFECTIVENESS,
AND
ACCOUNTABILITY
COMMITTEE**

Chair Roth gave the Efficiency, Effectiveness Committee made the committee's report.

**UPDATE: KCTCS-
PERFORMANCE
MEASURES FOR THE
POSTSECONDARY
EDUCATION
PERFORMANCE
FUNDING MODEL**

Chair Roth noted that the 2016-18 enacted state budget established the Postsecondary Education Funding Model Working Group and specified that the Council on Postsecondary Education (CPE) establish a Working Group, of which President Box was a member. The Working Group was charged with developing a funding model for the allocation of the state General Fund appropriations set aside for performance funding, incorporating elements of campus performance, mission, and enrollment.

The Working Group met several times from July through November 2016 to complete its work. The Working Group forwarded its report to the Governor and Interim Joint Committee on Education on December 1, 2016.

Chair Roth noted that the state appropriation for KCTCS in Fiscal Year (FY) 2016-17 was \$181,605,000, which is a 4.5 percent reduction from the FY 2015-16 appropriation of \$190,162,300. For FY 2017-18, the KCTCS state appropriation is \$172,524,700, which is 95 percent of the FY 2016-17

appropriation. The difference for KCTCS will be placed in the new 5 percent (\$9,080,300) Postsecondary Education Performance Fund.

Chair Roth shared that through President Box's representation the Working Group recognized KCTCS' uniqueness as a two-year institution within Kentucky's public postsecondary education system by including KCTCS as its own "sector." The Working Group also agreed that KCTCS should continue receiving one state appropriation versus separate appropriations for each of the KCTCS colleges. The Working Group further recognized KCTCS' need for several unique metrics.

It was noted that Senate Bill 153 the performance funding legislation passed the Senate on February 22 with a vote of 36-1. The House of Representatives must approve it by the end of the legislative session scheduled for March 30, 2017. The bill will then need the Governor's signature to become law. Because it contains an emergency clause, the bill will become effective immediately upon signature.

**ACADEMIC AFFAIRS
AND CURRICULUM
COMMITTEE**

Chair Roth called on Academic Affairs and Curriculum Committee Chair Angela Fultz to make the committee's report.

**ACTION: NEW
PROGRAM
PROPOSALS—
ASSOCIATE IN
APPLIED SCIENCE
(AAS) IN EDUCATION
FOR BIG SANDY
COMMUNITY AND
TECHNICAL
COLLEGE**

RECOMMENDATION: That the Board of Regents approve an Associate in Applied Science (AAS) in Education for Big Sandy Community and Technical College (BSCTC) to be implemented in fall 2017.

Dr. Fultz noted that BSCTC was experiencing a growing demand for education courses that has prompted an interest by the college in the AAS Education degree program. The AAS in Education hosts a well-developed curriculum that is sustained by the KCTCS curriculum process. In addition to online availability for many courses, face-to-face classes within the curriculum offered through BSCTC will have a web-enhanced component allowing for supplemental online instruction. The AAS is supported by an established technical division and by the existing administrative and financial structure of the college. The AAS degree in Education will provide graduates with a skill set making them competitive in the job market while providing them a pathway for transfer to a four-year institution.

Dr. Fultz shared that BSCTC prepared a budget to support implementation and sustainability of this AAS Education degree program. The addition of this credential will generate tuition revenue through expanded required course offerings.

It was also noted that the application for an AAS in Education comes from BSCTC at a time when Eastern Kentucky is a state focus in terms of economic growth and development. This credential will prepare students for participation in the economic revitalization of the region.

Chair Roth called for discussion. There being none, she called for the vote.

MOTION: On behalf of the Academic Affairs and Curriculum Committee, Dr. Fultz moved that the KCTCS Board of Regents approve an Associate in Applied Science (AAS) in Education for Big Sandy Community and Technical College (BSCTC) to be implemented in fall 2017.

VOTE: The motion passed, with Dr. Fultz abstaining, and Mr. Jones and Mr. Stevens voting against the motion.

**ACTION: NEW
PROGRAM
PROPOSALS—
ASSOCIATE IN
APPLIED SCIENCE
(AAS) IN
DIAGNOSTIC
MEDICAL
SONOGRAPHY
FOR BLUEGRASS
COMMUNITY AND
TECHNICAL
COLLEGE**

RECOMMENDATION: That the Board of Regents approve an Associate in Applied Science (AAS) in Diagnostic Medical Sonography with tracks in General/Vascular Sonography, General Sonography, Vascular Sonography and Cardia Sonography for Bluegrass Community and Technical College (BCTC) to be implemented in spring 2018.

Dr. Fultz shared that due to the closing of Jefferson Community and Technical College and St. Catharine's sonography programs in 2016, BCTC was approached by University of Kentucky (UK) Healthcare to explore adding a diagnostic medical sonography program. UK Healthcare is concerned that the closing of St. Catharine's College ended the only active cardiac sonography program in the state, which is problematic for the UK Gill Heart Institute.

Dr. Fultz noted that the workforce demand data for Kentucky indicates that there are 60 annual openings for diagnostic medical sonographers and 70 annual openings for cardiovascular technologists due to job growth and replacements. The 2015 median wage for diagnostic medical sonographers in Kentucky is \$63,630.

Dr. Fultz shared that the costs for the Diagnostic Medical Sonography program would include a faculty salary for one lead instructor, equipment, supplies, and accreditation fees. BCTC is working with UK Healthcare to obtain access to clinic equipment at a low or no cost. Facilities for this program will be on the Leestown Campus in Lexington that is being renovated for health careers as part of the Governor funded 2017 Work Ready Skills Initiative projects.

Chair Roth called for discussion. There being none, she called for the vote.

MOTION: On behalf of the Academic Affairs and Curriculum Committee, Dr. Fultz moved that the KCTCS Board of Regents approve an Associate in Applied Science (AAS) in Diagnostic Medical Sonography with tracks in General/Vascular Sonography, General Sonography, Vascular Sonography and Cardia Sonography for Bluegrass Community and Technical College (BCTC) to be implemented in spring 2018.

VOTE: The motion was approved unanimously.

**ACTION: NEW
PROGRAM
PROPOSALS–
DIPLOMA IN
CONSTRUCTION
CARPENTER
FOR HAZARD
COMMUNITY AND
TECHNICAL
COLLEGE**

RECOMMENDATION: That the Board of Regents approve a Diploma in Construction Carpenter for Hazard Community and Technical College (HCTC) be implemented in fall 2017.

Dr. Fultz shared that the Construction Carpenter Diploma addresses opportunities for high school graduates with an educational pathway to build on their technical training, received through ATCs (Area Technology Centers) carpentry programs, which will flow directly into their postsecondary education. Opportunities also increase through the Construction Carpenter Diploma, as it is an approved program in “Accelerated Opportunities” which allows General Education Development (GED) students more access to a college education.

Dr. Fultz noted that with new mobile tools and equipment for use on the jobsite, experienced faculty, as well as the new Smart Energy Training Center (a laboratory with a house for live work), the HCTC Construction Carpenter Diploma provides an excellent choice for students who want to obtain employment in the construction industry. The HCTC Construction Technology Program is the centerpiece that connects six programs together, all related to the construction industry.

Dr. Fultz shared that the Construction Carpenter Diploma supports HCTC’s mission to train students in high wage, high demand technical fields and meets the need to retrain the over 8,000 coal miners who are unemployed in the region. The Construction Technology program shares overlapping skills with the mining industry. These potential students are drawn to the program, but need the focus provided in the Construction Carpenter Diploma curriculum to make them more employable in the region, statewide, and nationwide.

Dr. Fultz also shared that HCTC already has facilities with two training labs, construction supplies, a supply budget, equipment, and tools for the current Construction program at the certificate level. Additional funding support is available through the Carl D. Perkins grant and Kentucky Coal Academy funding. The current full-time temporary faculty position in the program is scheduled to move over to a full-time faculty position in next year’s annual budget and is the only additional resource needed for the diploma program.

Chair Roth called for discussion. There being none, she called for the vote.

MOTION: On behalf of the Academic Affairs and Curriculum Committee, Dr. Fultz moved that the KCTCS Board of Regents approve Diploma in Construction Carpenter for Hazard Community and Technical College (HCTC) be implemented in fall 2017.

VOTE: The motion was approved unanimously.

ACTION: NEW PROGRAM PROPOSALS—ASSOCIATE IN APPLIED SCIENCE (AAS) IN AIR CONDITIONING TECHNOLOGY FOR OWENSBORO COMMUNITY AND TECHNICAL COLLEGE

RECOMMENDATION: That the Board of Regents approve an Associate in Applied Science (AAS) in Air Conditioning Technology for Owensboro Community and Technical College (OCTC) to be implemented in fall 2017.

Dr. Fultz noted that the AAS in Air Conditioning Technology would prepare students to acquire the knowledge and skills for new employment or advancement in their current employment. Students will also have the opportunity to transfer to Western Kentucky University and work toward a bachelor’s degree. The college community is starting to see the first wave of baby boomers retire from this profession.

Dr. Fultz shared that this program prepares students to install and service heating, air conditioning, and refrigeration equipment. Academic courses, theory courses, and laboratory experiences are designed to promote success in the air conditioning field. Employers are continuing to search for competent, trained, and motivated individuals to maintain equipment and keep heating and cooling systems running. The local need for students with this degree has also increased significantly due to the improving economy.

Dr. Fultz shared that OCTC has the facilities, equipment, and support services available for the Air Conditioning Technology program. The program coordinator is already employed, and current faculty and adjunct faculty can meet additional needs.

MOTION: On behalf of the Academic Affairs and Curriculum Committee, Dr. Fultz moved that the KCTCS Board of Regents approve an Associate in Applied Science (AAS) in Air Conditioning Technology for Owensboro Community and Technical College (OCTC) to be implemented in fall 2017.

VOTE: The motion was approved unanimously.

UPDATE: CAREER PATHWAYS REPORT

Dr. Fultz noted that KCTCS and the Kentucky Department of Education’s Career and Technology Division are developing career pathways that seamlessly lead from secondary education to college and then on to careers or further education. These career pathway programs are designed to match Kentucky’s five key business and industry sectors so that students are put into “pipelines” for jobs. At the current time, pathways are being built in industrial maintenance, healthcare, information technology, and welding. A benefit of this process is bringing teachers together from the secondary schools and faculty from the colleges in planning meetings to discuss alignment and assessment.

FINANCE, TECHNOLOGY, AND HUMAN RESOURCES COMMITTEE

Chair Roth called upon Finance, Technology, and Human Resources Committee Chair Bob Cooper to make the committee’s report.

**UPDATE:
TECHNOLOGY
SOLUTIONS REPORT**

Mr. Cooper noted that the committee was informed that the *KCTCS Technology Solutions 2016 Accomplishments Report* is available via a web-based format and can be seen at <https://publicsearch.kctcs.edu/publication/ts/Pages/2016AccomplishmentsReport.aspx>. This is the fifth annual report.

Mr. Cooper shared that Vice President Czarapata presented the highlights of the report to the committee. One of the highlights noted was Technology Solutions received over 150 million emails and blocked over 200 million spam messages in 2016.

**UPDATE: KCTCS
INVESTMENT
MANAGEMENT**

Mr. Cooper noted that at the December 1, 2016 Finance, Technology, and Human Resources Committee meeting, the committee expressed interest in receiving an update on the investment management services provided to KCTCS. At the committee meeting Ryan Barrow, Executive Director, and Brian Caldwell, Deputy Executive Director, from the Kentucky Finance and Administration Cabinet's Office of Financial Management gave an overview of the investment management services their office provides to KCTCS.

Mr. Cooper also noted that Carolyn Greer, Managing Director from the Strategic Solutions Group, and Lew Wallace, Director of Relationship Management, from the Commonfund gave the committee an update on the Commonfund's investment management services provided to KCTCS.

He noted that the PowerPoint presentations are available on the KCTCS Board of Regents March 9-10, 2017 meeting website: <https://publicsearch.kctcs.edu/board/Pages/201703.aspx>

Mr. Cooper also shared that President Box distributed a letter dated March 7, 2017 titled, "Moody's Investors Service Credit Opinion Report." Moody's has assigned KCTCS an enhanced rating of Aa3 with a stable outlook to the fixed rate \$59 million Project 116 Agency Fund Revenue Bonds to be issued through the Kentucky State Property and Buildings Commission.

**INFORMATION:
2017-18 KCTCS
BUDGET
DEVELOPMENT
SCENARIOS**

Mr. Cooper noted that the KCTCS Board of Regents discussion of the following budget variables was needed in order to provide guidance in the development of the 2017-18 proposed budget for consideration at the June 9, 2017 Board of Regents meeting. It was noted for fiscal year (FY) 2017-18; five percent (\$9,080,300) of the KCTCS state appropriation of \$181,605,000 (which includes the Kentucky Fire Commission and the Kentucky Board of Emergency Medical Services) must be placed in the new Postsecondary Education Performance Fund (the Fund).

It was shared that dollars held within the Fund are to be awarded based on performance. As KCTCS is a sector unto itself, KCTCS will receive the full appropriation held within the Fund to distribute to the colleges based on each college's individual performance. Upon receipt of the Fund's dollars, the total state appropriation for KCTCS will resume the balance of \$181,605,000. Dollars held within the Fund are anticipated to be released by April 1, 2018.

The Postsecondary Education Funding Model Working Group was established by the 2016-18 Biennial Budget along with the Fund to develop the funding model for the allocation of the General Fund appropriation set aside for performance funding. President Box was a member of the Working Group and was successful in ensuring that KCTCS was recognized as its own sector. It was noted that the KCTCS' two-year sector performance funding model follows the same principles that are being recommended by the Working Group for Kentucky's four-year public universities. This includes sector specific metrics of Targeted Industry; High-Wage, High-Demand; Underprepared Credentials; and, Transfers to more quickly respond to the needs of business and industry and recognize the matriculation of KCTCS students who transfer to four-year institutions.

Mr. Cooper shared that in addition to state appropriations, the other primary source of funds to support the KCTCS operating budget is tuition revenue. In spring 2017, CPE will establish a tuition rate increase ceiling for each of the universities and KCTCS for the 2017-18 academic year. Last year, CPE approved an increase of \$9 per credit hour. In the approval of last year's increase, special consideration was given to the need for KCTCS to support measures of safety and security on its campuses. In 2017-18, each \$1 increase in KCTCS tuition per credit hour rate for Kentucky residents and rate increases for students from out-of-state will generate almost \$1.3 million in new tuition revenue.

Mr. Cooper noted that fixed costs in property insurance and certain employee benefits are expected to increase in 2017-18, including the increased cost of retirement contributions to the Kentucky Employees Retirement System (KERS), health insurance coverage for continued participation in the state and University of Kentucky health insurance plans, workers' compensation, long-term disability, and unemployment insurance.

Mr. Cooper shared that KCTCS continues its commitment to sustainability by pursuing energy efficiency initiatives, including energy savings performance contracts. With the implementation of energy savings performance initiatives, increases in utilities for existing facilities are expected to be largely offset in 2017-18.

It was noted that the Board of Regents was directed in March 2015 to conduct a study to analyze KCTCS' current classification and compensation structure for accuracy in banding and titling and market competitiveness. The Board participated in a workshop at the September 15-16, 2016 meetings where the results of the Hanna Resource Group (HRG) study of the KCTCS current compensation and classification system were presented in detail. The study assessed KCTCS employment positions in comparison to the market for both faculty and staff. At the December 2, 2016 Board of Regents meeting, the Board passed a *Resolution Adopting the KCTCS Compensation and Classification Philosophy and Guiding Principles*. This resolution included the Compensation and Classification Philosophy guidelines that were developed from the HRG study.

It was shared that implementation of the study is proposed to begin in 2017-18 using the Philosophy and Guiding Principles and an updated salary schedule developed to reflect current market pay. Phase I implementation of the study will bring all regular full-time faculty and staff positions up to the minimum salary of their respective new bands.

Mr. Cooper noted that in order to address hard-to-fill and hard-to-retain positions for faculty and staff, KCTCS is proposing to employ the use of non-recurring salary supplements as a tool to enable the filling and retention of personnel in the identified hard-to-fill/retain position. Hard-to-fill/retain positions may be local in nature enabling one college to address their specific need without affecting other colleges not facing difficulty with that specific faculty or staff position. Hard-to-fill/retain positions will be reviewed and approved annually to ensure the position(s) continues to be a hard-to-fill/retain position.

It was shared that implementation of Phase I of the study over a projected 3-year period will cost approximately \$1.1 million per year inclusive of benefits and market adjustments for hard-to-fill/retain positions.

It was noted that, as in the past, the Board must determine compensation increases for KCTCS faculty and staff for 2017-18. In 2016-17, due to a decline in state appropriations and reduced tuition revenue due to declining enrollment, KCTCS decided to forego a request of the Board of Regents to approve a salary increase. For 2017-18, each 1.0 percent salary increase for full-time faculty and staff will cost approximately \$2.2 million in salary and \$0.5 million in additional retirement benefits for a total of \$2.7 million per 1.0 percent increase.

It was also noted that each year since 1998-99, the Board of Regents has funded the cost of faculty promotions in rank. In fiscal year 2017-18, the cost of faculty promotions will be approximately \$0.8 million.

Chair Roth called for discussion.

During the discussion, President Box emphasized that KCTCS only has two sources of revenue: state appropriations, tuition revenue, and that fixed costs, including insurance and utilities, will increase next year by about \$800,000. CPE will be determining allowable tuition increases for the institutions before the next Board meeting. President Box agreed to develop budget scenarios with tuition revenue increases to accommodate compensation increases to the Board for review at the June 2017 meeting.

**UPDATE: KCTCS
QUARTERLY
FINANCIAL REPORT**

Mr. Cooper reported that information for the second quarter of fiscal year 2016-17, which ended December 31, 2016, was derived from the KCTCS Administrative Financial System. The Statement of Revenues and Expenditures reflects the actual program and operational expenditures compared to the fiscal year 2016-17 budget approved by the KCTCS Board of Regents on June 10, 2016.

Total revenues of \$501 million reflect 60 percent of the budgeted revenue and appropriated funds. Current fund expenditures and budget reserve through the fiscal year total \$240 million, or 29 percent of the expenditures budgeted for the year. As of the end of the first quarter, tuition and charges realized to date were up \$3.7 million as compared to the same period ending December 31, 2015.

Total expenditures realized to date were down \$29.3 million as compared to the same period ending December 31, 2015. Total revenues over expenditures were up \$14.6 million as compared to the same period ending December 31, 2015.

The Statement of Net Position, although not specifically required in the Board's *Annual Budget Adoption Resolution*, has also been included in the Quarterly Financial Report to give the Board a periodic snapshot of the KCTCS financial position using the most common accounting-based schedule.

**UPDATE:
SUPPLIER
DIVERSITY REPORT**

Mr. Cooper noted that KCTCS defines diverse suppliers as those businesses owned by ethnic minorities, women, veterans, or the physically challenged. Fiscal year (FY) 2017 data indicates that KCTCS has spent \$1.7 million (6.4 percent) of a total \$26.9 million in impactable discretionary spend with diverse suppliers. Dollars spent with diverse suppliers was less in FY 2017 (6.4 percent) as dollars spent with all suppliers decreased in FY 2017 (8.1 percent) as compared to 2016 due to continued tight budgetary constraints of flat state appropriations and lower tuition revenues due to enrollment declines.

On October 3, 2016, KCTCS received the 2016 Corporate Champion of Diversity Award at the Lexington's Urban League Annual Empowerment Banquet. KCTCS received this award in recognition of activities, community relations, workplace representation, and use of suppliers. KCTCS was

selected because of the many initiatives, processes, and procedures that have been successfully implemented over the last several years.

It was noted that on October 12, 2016, KCTCS held the fourth annual KCTCS Supplier Diversity Fair at the Frankfort Convention Center. More than 200 guests and exhibitors attended this event.

**UPDATE: OFFICE OF
AUDIT SERVICES
REPORT**

Mr. Cooper reported that Mr. Glenn Paige, Office of Audit Services (OAS) Director, provided a semi-annual report on the activities of the OAS.

The OAS conducts internal audits of KCTCS colleges and system-level departments, as well as special reviews requested by KCTCS management. Due to reorganization within KCTCS, Audit Services now reports to the KCTCS General Counsel. There were seven special reviews due to a college or financial leadership change conducted thus far for FY 2016-17. Eleven audits have been completed thus far for the FY 2016-17, and it has been concluded that KCTCS is operating within expected norms and risk levels.

Mr. Cooper noted that a review was completed for Gateway Community and Technical College in January 2017 with no reportable findings. A review was completed for Madisonville Community College in December 2016 with no reportable findings. Elizabethtown Community and Technical College, Hazard Community and Technical College, Maysville Community and Technical College, Southeast Kentucky Community and Technical College, and West Kentucky Community and Technical College will receive audits March through May 2017 due to leadership changes.

Mr. Cooper shared that a special review for Student Financial Aid performed on-going tests of Return to Title IV funds for random samples of students who received financial aid, but withdrew during the semester. These tests and other procedures are in response to external audit findings from prior A-133 audits of federal funds, from which the KCTCS Board of Regents and President Box directed that significant improvements be made to strengthen and standardize processes within the student financial aid process. Results from the Uniform Guidance (formerly A-133) audit by our external auditors, Crowe Horwath, for FY 2016, indicated a reduction in findings: from 7 findings and 45 instances in 2015, to 3 findings and 15 instances in 2016.

It was noted that another special review was performed of the Madisonville Community College Workforce Solutions department. A complaint filed by a Workforce Solutions employee at the college alleged that certain grant funds were not being used in accordance with their intended purpose. The grants in question were Accelerated Opportunities; Workforce Innovation and Opportunity Act; and Kentucky Coal Academy. A review of the grant funds in question was conducted back to FY 2014, along with interviews of college

personnel familiar with these grants. No evidence of misuse of grant funds was found.

Mr. Cooper also shared that KCTCS overall risk profile is low based on the current assessment. For FY 2016-17, the highest relative risk units are Student Financial Aid at a 2.9 medium risk; Federal and State Grants and Contracts at a 2.8 medium risk; and Human Resources/Organizational Development at a 2.6 medium risk.

**ACTION:
INCREASED
AUTHORIZATION
FOR OWENSBORO
COMMUNITY AND
TECHNICAL
COLLEGE
ADVANCED
TECHNOLOGY
CENTER, PHASE II –
BUILDSMART
PROJECT**

RECOMMENDATION: That the KCTCS Board of Regents approve an increased authorization of \$3,000,000 for the Owensboro Community and Technical College’s BuildSmart project for the construction of the Advanced Technology Center – Phase II, increasing the total authorization of the project from \$12,000,000 to \$15,000,000.

Mr. Cooper noted that KCTCS was notified by the Kentucky Finance Cabinet officials of an issue with the Owensboro BuildSmart project on March 7, 2017. KRS 45.760(6) requires that capital construction projects with a scope greater than \$1,000,000 be approved by the KCTCS Board of Regents and submitted to the CPE for approval.

Mr. Cooper shared that on April 26, 2016, the Peyronnin Construction Company was awarded the construction contract for Phase II of the Owensboro Advanced Technology Center for \$8,572,805. The contract completion date was August 24, 2017. On January 9, 2017, Peyronnin Construction filed for Chapter 7 bankruptcy. The project was approximately 30 percent complete at that time.

It was noted that the project has a 100 percent surety bond. The week of March 5, 2017, the bankruptcy court released the surety company to complete the construction contract. In an agreement between the Commonwealth of Kentucky Finance and Administration Cabinet and the surety company, the Cabinet will enter into a construction contract with Danco Construction for completion of the project. The surety company will reimburse any difference between the current contract price and the new negotiated contract price for the project’s completion. It is anticipated the new contract price will exceed the original contract price.

Additional authorization from the Capital Project Bond Oversight Committee of the Kentucky General Assembly will be required for the new contract price. Therefore, the KCTCS Board of Regents is requested to approve an authorization increase of \$3,000,000 to cover the additional anticipated costs. The surety company will absorb all additional costs. The Board approved the original project at \$12 million in December 2014 with the rest of BuildSmart projects.

MOTION: On behalf of the Finance, Technology, and Human Resources Committee, Mr. Cooper moved that the KCTCS Board of Regents approve an additional authorization of \$3,000,000 for the Owensboro Community and Technical College's BuildSmart project for the construction of the Advanced Technology Center – Phase II, increasing the total authorization of the project from \$12,000,000 to \$15,000,000.

Chair Roth called for discussion. There being none, she called for the vote.

VOTE: The motion was approved unanimously.

NEXT MEETING

Chair Roth announced that the next regular meeting of the KCTCS Board of Regents is scheduled for June 8-9, 2017, at Somerset Community College, Somerset, Kentucky.

ADJOURNMENT

Mr. Stevens moved that the meeting adjourn. Mr. Jones seconded the motion.

VOTE: The motion was approved unanimously, and the meeting adjourned at 11:04 a.m. (ET).

06/09/17

Date Approved by the
KCTCS Board of
Regents

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Marcia L. Roth, Chair
KCTCS Board of Regents

SIGNED COPY ON FILE

Tammy C. Thompson, Secretary
KCTCS Board of Regents

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Jay K. Box, Ed.D.
KCTCS President