CALL TO ORDER
Committee Chair Thomas called to order the meeting of the Kentucky Community and Technical College System Board of Regents Finance, Technology, and Human Resources Committee at 1:37 p.m. (ET) on March 12, 2015. The meeting was held in Regency Ball Room 2 of the Hyatt Regency Hotel in Lexington, Kentucky. The press was notified of the meeting on March 4, 2015. Hon. J. Campbell Cantrill, KCTCS General Counsel, served as parliamentarian.

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

APPROVAL OF MINUTES
Chair Thomas called for a motion to approve the minutes of the December 4, 2014, meeting of the Finance, Technology, and Human Resources Committee.

MOTION: Mr. Cooper moved and Ms. Flynn seconded that the minutes of the December 4, 2014, KCTCS Board of Regents Finance, Technology, and Human Resources Committee be approved.

VOTE: The motion was approved unanimously.

ADDITIONS OR CHANGES TO THE AGENDA
There were no additions or changes to the agenda.

Chair Thomas extended a welcome on behalf of the Finance, Technology, and Human Resources Committee to Mr. Shawn Payne as a newly assigned committee member. Mr. Payne is serving the remainder of the elected faculty term that ends October 2015.

ACTION: RATIFICATION OF PERSONNEL ACTIONS
RECOMMENDATION: That the KCTCS Board of Regents ratify the personnel actions listed in the agenda materials.

Chair Thomas called on KCTCS President Jay K. Box to present the item. KCTCS Vice President Wendell Followell assisted with the presentation. It was noted that the personnel actions presented were in accordance with reporting guidelines and policies adopted by the KCTCS Board of Regents.

Chair Thomas called for a motion.

MOTION: Ms. Roth moved and Mr. Cooper seconded that the Finance, Technology, and Human Resources Committee recommend that the KCTCS Board of Regents ratify the personnel actions listed in
the agenda materials.

VOTE: The motion was approved unanimously.

**UPDATE: TECHNOLOGY SOLUTIONS REPORT**

Chair Thomas called on President Box to present the Technology Solutions Report with the assistance of KCTCS Vice President Paul Czarapata.

The committee was informed that the *KCTCS Technology Solutions 2014 Accomplishments Report* is a web-based format and can be seen at [http://publicsearch.kctcs.edu/publications/ts/Pages/2014AccomplishmentsReport.aspx](http://publicsearch.kctcs.edu/publications/ts/Pages/2014AccomplishmentsReport.aspx).

Highlights from the *Accomplishments Report* include the RFP for the Next Generation Kentucky Information Highway. The Technology Solutions staff has been working with state finance cabinet, K-12, emergency services, higher education, private sector, and investors on the planning of a 3,000 mile state wide fiber optic network through all 120 counties in Kentucky. All KCTCS colleges are considered community anchor institutions and will be connected to this network by late fall 2016 if construction follows the current plan.

It was reported that information security has been receiving constant media attention and is a high priority at KCTCS. Technology Solutions initiatives related to information security include a phishing awareness campaign. Technology Solutions staff conducted a simulated phishing email campaign in the system office to increase user awareness and promote secure email management.

Dr. Czarapata noted that colleges are now using a visual schedule builder. This tool provides an interactive, visual representation of potential class schedules for our students as the student identifies the courses in which he/she hopes to enroll. The student can narrow the number of schedule combinations by blocking out days and times the student may be unavailable.

**ACTION: 2015-16 TUITION RATES**

RECOMMENDATION: That the KCTCS Board of Regents revise the tuition rates approved for 2015-16 during its meeting of June 13, 2014, and establish tuition rates for 2015-16 equal to the current 2014-15 tuition rates as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-State Students</td>
<td>$147</td>
</tr>
<tr>
<td>Out-of-State Students</td>
<td></td>
</tr>
<tr>
<td>From Contiguous Counties</td>
<td>$294</td>
</tr>
<tr>
<td>Other Out-of-State Students</td>
<td>$515</td>
</tr>
</tbody>
</table>

Chair Thomas called on KCTCS President Jay K. Box to present the item. KCTCS Vice President Wendell Followell assisted with the presentation.
President Box noted that at the June 14, 2014, meeting, the KCTCS Board of Regent approved a 2.08 percent tuition rate ($3 per credit hour) increase in 2014-15 and a 2.04 percent tuition rate ($3 per credit hour) increase in 2015-16 for in-state students. This action combined with the Council On Postsecondary Education (CPE) parameter for tuition rates for out-of-state students resulted in the following approved 2014-15 and 2015-16 per credit hour tuition rates for KCTCS colleges:

<table>
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<tr>
<th></th>
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<th>2015-16</th>
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</thead>
<tbody>
<tr>
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<td>$147</td>
<td>$150</td>
</tr>
<tr>
<td>Out-of-State Students</td>
<td></td>
<td></td>
</tr>
<tr>
<td>From Contiguous Counties</td>
<td>294</td>
<td>300</td>
</tr>
<tr>
<td>Other Out-of-State Students</td>
<td>515</td>
<td>525</td>
</tr>
</tbody>
</table>

Mr. Followell noted that KCTCS is known as the affordable, accessible entry point into postsecondary education. By keeping, the tuition rates for 2015-16 the same, as 2014-15 will be maintained. It will allow greater affordability and access for our students.

It was noted that the recommended revised 2015-16 in-state and out-of-state tuition rates are still within the CPE parameter established for KCTCS. There will be no change to the student fees for the BuildSmart projects. The committee was reminded that at the March 14, 2014 meeting, the Board passed a resolution endorsing the KCTCS BuildSmart Investment for Kentucky Competitiveness and the mandatory student fee to be initiated in the 2015-16 to fund the debt service for the BuildSmart capital projects as enacted by the 2014 General Assembly.

Chair Thomas called for a motion.

MOTION: Ms. Flynn moved and Ms. Roth seconded that the Finance, Technology, and Human Resources Committee recommend that the KCTCS Board of Regents revise the tuition rates approved for 2015-16 during its meeting of June 13, 2014, and establish tuition rates for 2015-16 equal to the current 2014-15 tuition rates as follows:

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</tr>
</tbody>
</table>

Chair Thomas called for discussion.

During the discussion, questions were raised regarding salary increases and maintaining current funding levels if enrollment continues to decline. Mr. Followell noted that keeping tuition flat might help increase enrollment and thereby increase revenues.

It was noted that this action communicates the need for increased appropriations to help keep tuition affordable for students.
Chair Thomas called for a vote.

VOTE: The motion was approved unanimously.

Chair Thomas called on President Box to present the item. KCTCS Vice President Wendell Followell assisted with the presentation. It was noted that the fiscal year 2015-16 budget would direct the use of financial resources available to KCTCS to help achieve its mission and vision.

The KCTCS Board of Regents discussion of the following factors was needed in order to provide guidance in the development of a proposed budget for consideration at the June 12, 2015, Board meeting.

President Box provided an overview of the 2014-15 and 2015-16 state appropriations to KCTCS as proposed by Governor Beshear during the 2014 Regular Session of the Kentucky General Assembly:

<table>
<thead>
<tr>
<th>Budget Year</th>
<th>Enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>$191,455,700</td>
</tr>
<tr>
<td>2014-15</td>
<td>$190,162,300*</td>
</tr>
<tr>
<td>2015-16</td>
<td>$190,162,300</td>
</tr>
</tbody>
</table>

* Includes appropriation of $1,602,500 to fund the Kentucky Employee Retirement System (KERS) pension.

The second primary source of funds to support the KCTCS operating budget is tuition revenue. If the KCTCS Board of Regents choose to maintain tuition at the 2014-15 rates, a conservative forecast is that tuition revenue would remain unchanged in 2015-16. Maintaining tuition rates at 2014-15 levels could promote retention, increase enrollments, as well as result in students taking additional credit hours.

A third funding source used to support Board priorities for expenditure is the reallocation of the existing funding base.

Fixed costs in certain employee benefits are estimated to increase in 2015-16. Current estimates indicate that utilities and property insurance costs will increase by approximately $1.2 million in 2015-16, a 5.5 percent increase. Employee benefits include the increased cost of health insurance coverage for continued participation in the state and University of Kentucky health insurance plans, workers’ compensation, long-term disability, and unemployment insurance and could increase by approximately $3 million in 2015-16, a 6.7 percent increase. The unfunded fixed costs in employee benefits, utilities, and property insurance, is estimated at $4.2 million in 2015-16.
As in the past, the Board must determine compensation increases for KCTCS faculty and staff for 2015-16. Systemwide, each 1.0 percent salary increase for full-time faculty and staff would cost approximately $2.2 million in 2015-16, with $0.5 million in additional retirement benefits for a total of $2.7 million per 1.0 percent increase.

President Box noted another option for compensation increases would be awarding a flat $500 per full-time faculty and staff. Systemwide, the $500 option for full-time faculty and staff would cost $2.2 million in 2015-16 and $0.5 million in additional retirement benefits for a total of $2.7 million. The $500 option has the greatest impact for lower paid employees to gain equity relative to the market.

Additionally, each year since 1998-99 the Board of Regents has funded the cost of faculty promotion in rank. In fiscal year 2015-16, the cost of faculty promotions will be approximately $0.8 million.

It was noted to assess salary and wage competitiveness of KCTCS relative to the market, a compensation and classification study is planned with results and recommendations to be shared with the Board upon completion in 2015-16.

The KCTCS BuildSmart Investment for Kentucky Competitiveness is a public-private partnership and investment initiative included in Governor Beshear’s 2014-16 budget that will provide a total of $194 million in funding for the top capital project at each of the 16 KCTCS colleges. Agency bonds will be issued to pay for 75 percent of the total project scope. The remaining 25 percent will be matched from private and other funds raised or provided by the KCTCS colleges.

Chair Thomas called for discussion.

During the discussion of the budget scenarios, the committee indicated that a raise for full-time faculty and staff would be important to include in the 2015-16 budget.

**UPDATE:**

**KCTCS QUARTERLY FINANCIAL REPORT**

Chair Thomas called on President Box to present the KCTCS Quarterly Financial Report. KCTCS Vice President Wendell Followell assisted him with the presentation.

It was reported that information for the second quarter of fiscal year 2014-15, which ended December 31, 2014, 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 2014-15 budget approved by the KCTCS Board of Regents on June 13, 2014.

An additional column has been added to the report at the committee’s request to depict the prior year realized program and operational expenditures for additional comparison.
Total revenues of $520 million reflect 56 percent of the budgeted revenue and appropriated funds. Current fund expenditures and budget reserve through the fiscal year total $427 million, 46 percent of the expenditures budgeted for the year. As of the end of the second quarter, KCTCS has received 85 percent of budgeted tuition revenue; and 47 percent of the total budgeted financial aid has been received and expended. A total of 100 percent of the nonrecurring budget reserve from prior year funds is in place.

The Statement of Net Position presented reflects the overall financial position of the System and includes assets, liabilities, and net assets as of December 31, 2014.

**UPDATE: SUPPLIER DIVERSITY REPORT**

Chair Thomas called on President Box to present the Supplier Diversity Report. KCTCS Vice President Wendell Followell assisted with the presentation.

KCTCS defines diverse suppliers as those businesses owned by ethnic minorities, women, veterans, or the physically challenged. Fiscal Year (FY) 2015 data (July through December) were reported in the agenda materials. The data indicated for FY 2015 that KCTCS spent over $2 million (7.2 percent) of a total $28.1 million in impactable discretionary spend with diverse suppliers. In terms of the number of suppliers, FY 2015 compared to FY 2014, the percentage of diverse vendors increased from 12 percent to 13 percent. In terms of dollars spent with diverse suppliers, FY 2015 impactable spend decreased by 2.8 percent and a parallel decline in diverse spend of 2.7 percent. The decline is reflective of continued tight budgetary constraints from flat state support and less tuition revenue. KCTCS staff continues to work on supplier matching, analyzing data to ensure the integrity and consistency of the data.

KCTCS held its second Supplier Diversity Fair at the Lexington Convention Center on October 22, 2014. The University of Kentucky hosted the event with KCTCS. More than 300 guests and over 100 exhibitors attended this event. Buyers and officials from other organizations such as the University of Kentucky, Commerce-Lexington, Kentucky Finance and Administration Cabinet, Lexington-Fayette Urban County Government, and the U.S. Small Business Administration (SBA), and more attended to discuss business opportunities. The event included not only the opportunity for diverse businesses to display their businesses, but also breakout sessions to assist diverse suppliers to grow their businesses.

**UPDATE: OFFICE OF AUDIT SERVICES REPORT**

Chair Thomas called on Mr. Glenn Paige, Office of Audit Services Director, to provide a semi-annual report on the activities of the Office of Audit Services.
The committee was provided a summary of audits conducted during the 2014-15 fiscal year along with a plan of scheduled audits for the 2015-16 fiscal year.

Audits that were completed in 2014-15 included the following System Office Units: Student Financial Aid, Human Resources, Facilities Management, Veterans Affairs, and External Audit Assistance-Dean Dorton Allen Ford (DDAF). Accounts Payable/Procure to Pay, Management Assistance-Student Financial Aid Continuous Monitoring/College Exception Reporting, and Management Assistance –KCTCS TRAINS System Office Units have audits that are in progress and will conclude in the 2014-15 fiscal year.

Audits of colleges with leadership changes are completed for Hopkinsville Community College and Owensboro Community and Technical College. A normal recurring audit for Gateway Community and Technical College was also completed in the 2014-15 fiscal year.

The following colleges audits are in progress and will conclude in the 2014-15 fiscal year: Big Sandy Community and Technical College and Maysville Community and Technical College due to a presidential leadership change. Jefferson Community and Technical College for Human Resources follow-up and a normal recurring audit for Madisonville Community College. Additional projects will be added if circumstances dictate.

The following colleges are in the audit plan for 2015-16: Hazard Community and Technical College, Jefferson Community and Technical College and Somerset Community College.

Mr. Paige noted that the Audit Services office was working with colleges to help better manage the issues surrounding the administration of their Financial Aid programs. The Audit Services office is also working with System Office Units and Colleges on the following areas: Blackboard Student Services, information technology reviews, follow-up on compliance of environmental health and safety reviews, special reviews and investigations as well as explore expanded roles beyond financial audits.

Chair Thomas called for discussion.

During the discussion, the committee asked for more information to be presented on risk ratings assigned to functional areas. There was also discussion related to the Financial Aid Cohort Default Rates for each college.

**NEXT MEETING**

The next regularly scheduled Finance, Technology, and Human Resources Committee meeting is June 11, 2015, at Hopkinsville Community College, Hopkinsville, Kentucky.
Mr. Cooper moved and Ms. Flynn seconded that the Finance, Technology, and Human Resources Committee adjourn.

VOTE: The motion was approved unanimously. The Finance, Technology, and Human Resources Committee meeting adjourned at 2:55 p.m. (ET).

06/11/15

Date Approved by the Finance, Technology, and Human Resources Committee

Doris C. Thomas
Committee Chair