

Minutes of the Meeting of the Board of Trustees of the University of Kentucky,  
Tuesday, September 18, 2001.

The Board of Trustees of the University of Kentucky met at 3:00 p.m. (Lexington time) on Tuesday, September 18, 2001 in the Board Room on the 18<sup>th</sup> Floor of Patterson Office Tower.

A. Meeting Opened

Billy Joe Miles, Chairperson, called the meeting to order at 3:07 p.m., and the invocation was pronounced by Dr. Elissa Plattner.

B. Roll Call

The following members of the Board of Trustees answered the call of the roll: Mr. Paul W. Chellgren, Ms. Marianne Smith Edge, Mr. John "Jack" Guthrie, Dr. Loys Mather, Ms. Pamela May, Dr. Robert P. Meriwether, Mr. Billy Joe Miles (Chairman), Dr. Elissa Plattner, Dr. Claire Pomeroy, Mr. Steven S. Reed, Mr. Tim Robinson, Ms. Marian Sims, Ms. Alice Sparks, Dr. Grady Stumbo, Ms. JoEtta Wickliffe, Mr. Billy Wilcoxson, Mr. Russ Williams, Ms. Elaine Wilson, and Ms. Barbara Young. Absent from the meeting was Mr. Frank Shoop. The University administration was represented by President Lee T. Todd, Jr.; Acting Senior Vice President Jack C. Blanton; Senior Vice President and Chancellor of the Medical Center James W. Holsinger, Jr., Acting Provost Michael Nietzel; Acting Vice President for Research James Boling, and Mr. Richard E. Plymale, General Counsel.

Members of the various news media were also in attendance. A quorum being present, the Chairperson declared the meeting officially open for the conduct of business at 3:09 p.m.

C. Consent Agenda

Mr. Miles said that the Consent Agenda consisted of two items:

Approval of Minutes  
AACR 1 - Change in Name of an Educational Unit

Ms. Sims moved approval of the Consent Agenda. Her motion, seconded by Ms. Wilson, passed. (See AACR 1 at the end of the Minutes.)

D. Nomination of Officers and Executive Committee

Dr. Plattner, Chairperson of the Nominating Committee, asked Mr. Miles to step aside as Chairperson and appoint a Chairperson to receive the Nominating Committee's report. Mr. Miles appointed Mr. Wilcoxson to serve as Chairperson and receive the Nominating Committee report.

Dr. Plattner thanked the Board members who returned their recommendations to the Nominating Committee. She said their recommendations guided the Committee in making their decisions and stated that the process worked. She explained the Committee's process to the new Board members.

She said the Nominating Committee members who served this year were Frank Shoop, Alice Sparks, Jack Guthrie, Loys Mather, Marianne Smith Edge, Russ Williams and herself.

Dr. Plattner commented on shared governance. She read the following statement about shared governance that was a topic at the recent Council on Postsecondary Education meeting:

A collegial system is based upon the participation of all the stakeholders. It both sustains and extends the mission of the University and the larger community it engages. It shows respect for the many and varied roles of the academic community. Shared governance is exactly what it says. It is sharing talents and expertise. It is sharing leadership. It is the willingness to devote and dedicate oneself to two years of service in a leadership position and rotate off so that others may share their leadership and their talent, too.

Dr. Plattner said this is not in the regulation. It is a practice, and it has served the Board well for two years. The Board suggested that all leadership rotate every two years so that all members may share. She said, from her own point of view, she hopes the next person who is the Chairperson of the Nominating Committee will honor the practice of keeping himself or herself at arms length from the Committee and neither accept a nomination for any office or make a recommendation for any office. In her opinion, it is a way to give some strength to the Committee so that all the members may be considered to serve, but the Chairperson of the Committee remain neutral.

She stated that the Nominating Committee has had the great privilege of seeking out diversity and representation. Some of the Board members are elected, some are appointed, and some are elected and then appointed. The Board represents different constituents. The Committee is very hopeful that the slate that they introduce reflects the diversity that they seek, that this Board must seek, that this University must seek and that our community must seek. She called upon Mr. Russ Williams, a member of the Nominating Committee, to present the slate of officers to the Board.

Mr. Williams moved that the following members of the Board of Trustees serve in the following positions for next year:

Mr. Billy Joe Miles, Chair  
Mr. Steven S. Reed, Vice Chair  
Ms. JoEtta Wickliffe, Secretary

Ms. Sparks seconded the motion, and it carried.

Mr. Miles returned to the Chairperson role and asked for the nominations for the Executive Committee.

Dr. Plattner called upon Mr. Jack Guthrie to present the Nominating Committee's recommendation.

Mr. Guthrie said the Nominating Committee is pleased to recommend the following Trustees for service on the Executive Committee of the Board. He stated that all of the individuals have agreed to serve, if so elected, and moved that the following individuals be named:

Mr. Paul Chellgren  
Ms. Marianne Smith Edge  
Dr. Loys Mather, Chairperson  
Dr. Robert Meriwether  
Mr. Steven Reed  
Ms. JoEtta Wickliffe, ex officio

Mr. Miles asked for any nominations from the floor.

The motion made by Mr. Guthrie and seconded by Ms. Wilson carried.

Ms. Plattner thanked Ms. Marian Sims, Ms. Alice Sparks and Ms. Elaine Wilson, who have served for two years very capably as members of the Executive Committee. She expressed appreciation for their leadership.

Ms. May said she has watched the Board struggle with a period of growth and change and apparently a tremendous opening and transparency which appears to be serving the organization very well. The Board has heard about shared governance and read about it in the newspaper, but if they went back and looked at the Minutes, there would be no official commitment of the Board that would be legally there for anyone to see that says that this is a concept that has been adopted by the Board and will govern the organization, henceforth, until the Board adopts something else.

She said that Dr. Todd has his mission that is driving the University, but, in her opinion, it is also important for the Board to have some kind of official statement stating the Board does believe in shared governance. The Board does believe it is important that all Board members be involved and that the officers work together as a unit. Everybody should be involved. She stated that she was concerned that the Board has not officially taken that position. In her opinion, this is an important message, and the message is too important to be lost.

Mr. Miles said Ms. May's point is well taken, and it really centers on his commitment last year to serve two years. He said that everyone has read enough about

this in the paper, and he and Mr. Reed did not need to comment. He said it really gives one a guilty feeling to say that and then do something else. He reminded the Board that they talked about that last year in the Bylaws.

Mr. Miles said that Peggy Way would be sending out a letter regarding the Board members preference for serving on Board committees. He said that he thought they were able to appoint everyone to their preferred committees last year. He noted that the President appoints Board members to various boards, such as the Athletic Association Board of Directors and the University of Kentucky Hospital Board of Directors. In the letter that Ms. Way sends out, Board members will have an opportunity to indicate their interests in serving on these boards as well as other boards.

Mr. Miles asked Ms. May to prepare a recommendation regarding shared governance for the next Board meeting.

Ms. Sparks reminded the Board members that they did formally ratify that by changing the Governing Regulations to have term limits. That was done about a year and a half ago. There were no term limits prior to that, and it was saying quite a bit when the Board did that. She added that the terms are four years.

Mr. Guthrie reminded the Board that they determined at the Board workshop that the Board should take a look at the committee structure since they have had it for a couple of years and determine whether it needs any adjustment.

Mr. Miles appointed Dr. Mather to be in charge of reviewing the committee structure.

President Todd thanked Dr. Plattner and the Nominating Committee and expressed appreciation to them for their hard work. He also expressed appreciation to those willing to serve in the appointed positions. He noted that the positions are important and thanked them for their willingness to serve.

E. Assistant Secretary to the Board of Trustees Appointed

Mr. Miles noted that the position of Assistant Secretary to the Board was inadvertently omitted. He asked Mr. Dick Plymale to continue serving as the Assistant Secretary to the Board.

F. Comments about the University

President Todd commented about the behavior of the University community during the tragic situation with the World Trade Center a week ago. He said everyone should be extremely proud of the way that the institution handled the situation. People of diverse backgrounds came together in time of a crisis. When President George Bush called for a day of prayer last Friday, President Todd said that he asked a few people to put together a very meaningful service on Friday where many of our students

participated. The newspaper recorded that there were 6,000 people in attendance, and it was truly an impressive occurrence. He said he could not be prouder of how everybody responded to the event at this point in time.

G. Commission on the Status of Women Announcement

President Todd reminded the Board of the July 5, 2001 Executive Committee meeting. At that meeting, he announced the new organizational structure and mentioned one of the commissions that he would be establishing, the Commission on the Status of Women. He announced that Professor Carolyn Bratt will chair the Commission. She has been with the University for 27 years and has been a real leader in women's efforts around the campus in an unpaid position gathering information, making recommendations, and chairing committees. In his opinion, this assignment is appropriate.

He reported that he had the good fortune of speaking to several women candidates who had been pointed out to him as potential leaders on campus, and the interviewing process was a very fruitful part of the exercise. He said he had asked Professor Bratt to attend the Board meeting to be recognized in her role as chairperson and to make any comments she would like to make.

Professor Bratt stated that this is a very, very important day for the University of Kentucky. She made the following statement:

“President Todd’s decision to appoint a presidential Commission on Women is a powerful statement that there is now an institutional commitment to making UK women employees and students full and equal members of the University community. I know that I speak for all the women on campus when I say to you, thank you. Thank you for your willingness to recognize that there is a problem and thank you for your willingness to commit your office and the resources of the University to the task of eradicating that problem.”

Professor Bratt recognized the individuals in the audience for their selfless work and tireless commitment to this task. She said these were just a few of more than the 50 people who have served over the past 12 years on the Senate Council Ad Hoc Committee on the Status of Women that is probably on record as being the longest standing Ad Hoc Committee at the University. Professor Bratt introduced the Chair of that Ad Hoc Committee, Dr. Susan Scollay; a graduate student member, Jenny Hoobler, who is a doctoral candidate in the College of Business and Economics; Dr. Gretchen LaGodna, who is now retired but has continued to serve on the Committee; and Board of Trustees member Loys Mather, who was Senate Council chair who appointed the original Ad Hoc Committee. Professor Bratt recognized their work and thanked them for being supportive through the years. She particularly thanked President Todd for appointing the Commission. She noted that the most recent report of the Ad Hoc Committee is on line and distributed cards with the www address. She invited the Board to log on and see

what the Ad Hoc Committee found when they updated their 10-year report this past spring.

H. President's Report to the Board of Trustees (PR 1)

President Todd said he would highlight a few things in PR 1. He called attention to the following items:

1. The first item is the record number of students coming to UK for the 2001-2002 academic year. He called upon Provost Nietzel to present the profile of the university's enrollment report. He noted that the numbers have just been gathered and said he is quite pleased with them.

[Provost Nietzel provided a PowerPoint presentation](#) summarizing this year's fall figures and a comparison to the prior five years. He, also, provided a written summary of his presentation to each of the Board members. A summary of the major points made by Provost Nietzel in his presentation of preliminary fall enrollment statistics follows:

- From Fall 2000 to Fall 2001, total enrollment for the University System and LCC is up by approximately 4.8 percent;
- University System enrollment, excluding LCC, has shown a good increase over the last two years;
- Nonresident enrollment has shown gains over the last two years, reversing the recent decline;
- Undergraduate enrollment is approximately 17,311, the largest total in the five-year period;
- Graduate enrollment, including postdoctoral scholars, is over 5,500. This is nearly a 10 percent increase over the prior year and is believed to be a record high;
- First professional enrollment remains fairly stable, although the first-year pharmacy class is the largest ever in the University's history;
- LCC enrollment has increased by approximately 9 percent, an indication that they are responding very well to access expectations;
- There is an overall increase in African-American enrollment, with much of the increase at the graduate level;
- Enrollment of transfer students is up, and this has reversed a decline that many state institutions have also been experiencing;
- Although there are fewer National Merit Scholars in the freshman class, the number of Governor's Scholars and the number of high school valedictorians has increased significantly; and
- A comparison of entering freshmen ACT scores to state and national ACT scores shows that the University is capturing a very well qualified group of students.

He said he would be pleased to answer any questions. (See PowerPoint presentation at the end of the Minutes.)

President Todd reported that last year Provost Nietzel was Dean of the Graduate School. One of the innovative programs that he put in place was called the GIFT program where people who were not enrolled previously in Graduate School or were not a part of a degree program could take one three-hour class for free. Approximately 600 people took advantage of that program. This year 30% have returned to the University and are paying for their work. President Todd praised Provost Nietzel and stated that more employees of the University need to be more entrepreneurial in other efforts.

2. President Shumaker, President Todd and Governor Patton held a press conference announcing an agreement to increase cooperation and collaboration between the state's two research universities. President Todd noted that the University of Kentucky and the University of Louisville recently had their annual joint Board meeting and had received some very favorably press.
3. UK research productivity reached \$181 million, a 16.6% increase over the previous year. That is certainly to be an indicator of the quality of the research faculty.
4. The College of Medicine is ranked 26<sup>th</sup> among public medical schools and 53<sup>rd</sup> among all medical schools for NIH funding. Six research areas are ranked in the top 20 for NIH funding among all categories of public institutions. This is another real bragging point.
5. UK licensing revenue of \$2.3 million has been the result of 66 license agreements. Twelve licenses were granted last year, an area of focus we need to continue to increase.
6. UK biomedical engineering student, Letetia Richardson, was awarded a Role Model Citation by Minority Access, Inc. She represents UK extremely well.
7. The Southern Association of Colleges and Schools has reaffirmed the accreditation of Lexington Community College.

He asked the Board to review the significant activities of the students, faculty, and staff in the report and congratulate those people if they saw them.

I. Personnel Actions (PR 2)

President Todd said that PR 2 had been circulated with the Board packets. He recommended approval of the personnel actions listed in PR 2 and said he would be pleased to answer any questions. On motion made by Ms. Wilson, seconded by Ms. Sims and carried, PR 2 was approved. (See PR 2 at the end of the Minutes.)

J. Proposed Amendments to the Governing Regulations (PR 3A)

President Todd said the proposed amendments to the Government Regulations are circulated at this time so the Board will be able to read them, think about them, and get back with any questions or clarifications they may have. He pointed out some of the reasons for these amendments:

Titles have been changed to reflect the organizational changes that the Board approved in August of 2001.

The role of this Board in relation to Community College System is revised consistent with earlier agreements between the Board of Trustees and the Kentucky Community and Technical College System.

These agreements were prompted by certain requirements of the Southern Association of Colleges and Schools, the accreditation authority for both institutions. That is something that had not been done previously so we took the opportunity to go ahead and make those changes in this revision.

Part XV is removed as a Governing Regulation. It remains as a Kentucky Revised Statute and is not within the authority of this Board to change.

Because some of these revisions may affect academic policies, we have asked the University Senate to review these revisions. Bill Fortune will be getting their feedback.

While PR 3A is not an action item, it must remain upon the table for thirty days so the Board will have plenty of time to consider the amendments. After the proposed amendments are final, the Governing Regulations will be revised consistent with the changes.

K. Approval of New Policy Regarding Retiring Staff (PR 3B)

President Todd said that PR 3B is recommending approval of a new policy regarding retiring staff members, a policy that the University has had in position for retiring faculty. The recommendation is that the Board approve a policy allowing the University to confer the status of Emeritus Staff. This policy does not cost the University anything. It is a new way to recognize people who have made tremendous contributions



to the University. He said he thinks the policy will be extremely well received by the staff.

The description of the background is in the action item. The new policy would grant this title to a member of staff who has at least 15 years of continuous University service; is serving, at the time of retirement, in a staff position requiring a level of expertise that can only be gained through prolonged period of outstanding University service; evidences extraordinary and meritorious contributions to the fulfillment of the mission of the goals of the University; and has made noteworthy contributions to the nominee's professional field. President Todd said he would like to have the policy approved in honor of the staff.

Mr. Williams said he is enthusiastically supportive of this policy. It is an opportunity to send a message to the long-term staff of the institution. Particularly, we care about you, and we appreciate the work that you do. Not surprisingly, we do not talk about it often enough. We have staff members who devote their entire careers to the institution. It is not unusual to have people with 25, 30, 35 or 40 years of service. This is a fine way to acknowledge that service and to thank the long-term employees. He said he appreciated President Todd bringing this policy forward. He moved its passage. Mr. Reed seconded the motion and it carried.

L. Change in Name of an Educational Unit (AACR 1)

Ms. Sparks reminded the Board that AACR 1 was on the Consent Agenda. She reported that the Academic Affairs Committee had a lengthy discussion regarding the name change. It passed unanimously and without any problems.

M. Acceptance of Audit Report for the University of Kentucky for 2000-01 (FCR 1)

Mr. Chellgren, Chairman of the Finance Committee, reported that the Audit Subcommittee of the Finance Committee had met quite extensively with the engagement partner of Deloitte & Touche, the university's external auditors. The Subcommittee reviewed the nature of the external audit and would like to bring a number of matters to the Board's attention.

He reported that the outside auditors have issued a clean, unqualified opinion on the financial statements of the University for the fiscal year that ended June 30, 2001. There are no exceptions that have been noted and brought to the Finance Committee and the Board's attention. The external auditors issued two additional letters. One of them is called a SAS 61 letter which covers about 10 to 12 items regarding (1) the responsibilities of the external auditors under generally accepted auditing standards, (2) changes and significant accounting policies, both retroactively for this past fiscal year and prospectively for the current fiscal year, that have been made, (3) an emphasis on the management judgments and accounting estimates that are included in the financial statements, that is various allowances and estimates of accrual and reserves, highlighting

any audit adjustments and highlighting any disagreements with management, (4) complications with other accountants, and (5) difficulties in performing the audit management advisory services.

Again, the auditors made reference to the point that, as always, an external audit does include certain sampling and testing procedures. They are not duplicating the accounts and records of the institution or testing all the transactions that an organization of this or any other institution would actually conduct. The financial statements are the responsibility of management and that is something that needs to be kept in mind. There are no material audit adjustments. Actually, the financial statements are prepared somewhat more conservatively than they would really need to be to be consistent with both generally accepted accounting principles and government accounting standards.

The auditors also gave their letter on internal control, and this letter did indicate they were not aware of any issues of compliance with laws, regulation contracts and grants that would have any material effect on the consulted financial statements of the University nor were they aware of any breaches or weaknesses of the internal control over financial reporting that could effect the books and records of the financial statements of the University. With that, the Audit Subcommittee felt very comfortable when recommending FCR 1 to the Finance Committee, and the Finance Committee feels very comfortable in recommending the acceptance of FCR 1 to the Board.

Mr. Chellgren reported that the other item the Audit Subcommittee dealt with was to approve the administration moving forward with the expiration of the contract after six years of excellent performance with Deloitte & Touche who have been the external auditors for six years. Under proper procedure, it is time to issue a Request for Proposal (RFP) to similarly qualified, nationally recognized certified public accounting firms to consider the audit for the forthcoming fiscal year of the University. The Audit Subcommittee approved the administration moving forward to issue an RFP. Upon the recommendation of the Subcommittee and the Finance Committee, Mr. Chellgren moved the Acceptance of the Audit Report for the University of Kentucky for the fiscal year that ended June 30, 2001. Mr. Guthrie seconded the motion, and it carried.

N. Capital Construction Report (FCR 2)

Mr. Chellgren said that FCR 2 is the recurring quarterly review of the capital construction projects. The capital budget is quite significant, and the Board receives a quarterly report in detail by project that is submitted to the Finance Committee and reviewed in detail with particular focus on the exceptions and the overrun major contract change notices. He moved the approval of FCR 2. His motion, seconded by Mr. Reed, passed. (See FCR 2 at the end of the Minutes.)

O. University of Kentucky Eye Foundation, Inc. (FCR 3)

Mr. Chellgren reported that FCR 3 was withdrawn from the Finance Committee and will be dealt with at a subsequent meeting.

P. Gifts and Pledges (FCR 4-18)

Mr. Chellgren said that FCR 4-18 were a continuation of a very regular and enjoyable practice of receiving gifts to the University. He said he would deal with them as a group, 4-18 inclusively, rather than having individual motions for each of the items. He mentioned each of the following items for the record:

- FCR 4 - a pledge of \$250,000 from Cardiology Associates of Kentucky of Lexington, Kentucky, to establish and endow the Cardiology Associates of Kentucky Fellowships for the Division of Cardiology in the College of Medicine. This pledge is eligible for matching funds for the Research Challenge Trust Fund (RCTF).
- FCR 5 - a gift of \$100,000 and a pledge of \$200,000 from George Strawbridge of Wilmington, Delaware, to the Lucille P. Markey Cancer Center in the College of Medicine
- FCR 6 - a gift of \$35,000 and a pledge of \$6,000 from the estate of Violet Irene Eads of Lexington, Kentucky, and a pledge of \$15,000 from the Lexington Lions Club, to establish the Eads Endowment for Eye Tissue Research in the UK Lions Eye Bank in the College of Medicine's Department of Ophthalmology.
- FCR 7 - a pledge of \$50,000 from Merck & Co. to be added to the endowed Merck Professorship in Pulmonary Medicine in the College of Medicine.
- FCR 8 - a pledge of \$200,000 from Michael D. Rankin, a physician from Harrodsburg, Kentucky. Dr. Rankin is a graduate of the University. This will be used to support the community college endowments for medical students from Boyle, Casey, Garrard, Lincoln and Mercer counties in the College of Medicine.
- FCR 9 - gifts of almost \$19,650 and pledges of almost \$53,700 from 11 donors to the Zantker Professorship in Judaic Studies in the College of Arts and Sciences. This is also to be matched by the Research Challenge Trust Fund.
- FCR 10 - a pledge of \$50,000 from Richard K. and Anne Brautigam of Brunswick, Maine to create and endow the Richard K. Brautigam Professorship in Juvenile, Criminal and Social Justice in the College of Social Work.
- FCR 11 - a pledge of \$50,000 from the Cornerstone Care, L.L.C., of Lexington, Kentucky to establish and endow the Rebecca

Cunningham Van Meter Graduate Fellowship in the Graduate School.

- FCR 12 - gifts of \$12,415 from Mrs. Jefferson Patterson of Washington, DC and others and a pledge of \$40,000 from Mrs. Patterson to create and endow the Scott D. Breckinridge, Jr. Professorship in Intelligence Education in the Patterson School of Diplomacy and International Commerce. This gift is subject to matching funds from RCTF.
- FCR 13 - gifts of \$101,500 from Baxter Healthcare Corporation of Deerfield, Illinois, to support the artificial kidney research of Dr. Dayong Gao, associate professor in the Department of Mechanical Engineering in the College of Engineering.

Mr. Chellgren stated that FCR 14, 15, 16, 17 and 18 are a little different. An additional 28 seats are being put on the floor at Rupp Arena. The Athletics Department and the Development Office are looking forward to endowing those seats and give the individuals who create those endowments the right to purchase tickets similar to people who contribute to the Blue/White Fund to purchase tickets to our athletic events. This is very creative and clearly front-end capital. It creates on-going income to endow the scholarships.

- FCR 14 - a pledge of \$328,651 from Dr. Emler Neuman and Alexander Neuman of Lexington, Kentucky, to create a Neuman Family Endowed Basketball Scholarship.
- FCR 15 - a gift of \$125,000 and a pledge of \$216,220 from Michael Meinze of Shelbyville, Kentucky to endow the Meinze basketball scholarship.
- FCR 16 - a pledge of \$313,060 from the Roger E. Mick family of Brentwood, Tennessee to create and endow the Mick Family basketball scholarship.
- FCR 17 - a gift of \$313,060 from Shirley A. Cunningham to create and endow the Shirley Cunningham basketball scholarship.
- FCR 18 - a gift of \$313,060 from William J. Gallion to create and endow the William J. Gallion Endowed Basketball Scholarship in the Department of Athletics.

Mr. Chellgren moved the acceptance of FCR 4 through 18. Ms. Edge seconded the motion, and it carried. (See FCR 4 through 18 at the end of the Minutes.)

Professor Mather commented about FCR 10 and 17. FCR 10 is a pledge from Richard and Anne Brautigam, who are two very fine people. Dr. Brautigam was a professor in Social Work. Both of them have committed countless hours to the University of Kentucky as well as the public services in the Lexington area in early childhood education. He said this pledge comes as no surprise to him in terms of the kind of the generosity of these people and their willingness to share.

Secondly, FCR 17 is a gift from Shirley Cunningham, who was a colleague of his in his department. He was teaching Agricultural Law in the Agriculture Economics Department. He had an extension appointment and had a tremendous program of offering service to and information to farmers in estate and tax planning. The problem was the University could not pay him enough. Mr. Cunningham has done very well. Professor Mather commended him for his success and thanked him.

Mr. Chellgren said that there is a wonderful, generous story behind each case.

Q. Proposed 2002-03 and 2003-04 Tuition Schedule (FCR 19)

Mr. Chellgren said that FCR 19 is the Finance Committee and Board's annual review of proposed tuition for the next two academic years. He called upon Provost Nietzel to make a detailed presentation to the Board.

A summary of the [tuition presentation made by Provost Mike Nietzel](#) is as follows:

- The Council on Postsecondary Education (CPE) has established tuition-setting guidelines that provide the overall context for our tuition recommendations, and as part of those guidelines, CPE will be monitoring Kentucky's postsecondary education tuition rates in relation to per capita personal income as an index of affordability;
- Currently, the University differentiates tuition rates on the basis of residency and program level (undergraduate vs. undergraduate), but does not differentiate based on specific degree programs. UK's 19 benchmark institutions differentiate on the basis of residency and program level (with a few exceptions), but they also tend to differentiate based on degree program (the MBA);
- UK's undergraduate tuition and fees (excluding LCC) for the current academic year total \$3,735; whereas, undergraduate tuition and fees at the benchmark institutions range from \$2,490 to \$7,574. Compared to its benchmarks, UK is ranked at the top of the bottom third in the total amount of tuition and fees;
- Kentucky ranks at the bottom of states where our benchmark institutions are located in terms of per capita personal income, and this was an important factor with respect to the tuition increase recommendations;
- Other factors important to the tuition increase recommendations were 1) trying to be more competitive with respect to nonresident students, 2) implementing steady, consistent increases for the next two years -- rather than erratic, reactive increases -- to make it easier for families to manage, and 3) deriving summer and part-time rates from the full-time tuition rates;

- The majority of the recommended tuition increases for the next two years fall within a fairly tight range of 5 to 7 percent; two notable exceptions include increases of 8.1 and 8.2 percent for LCC, and increases of 15.2 percent for two years for the MBA program. The increases for LCC are the first increases in nine years. The increases for the MBA program bring UK in line with the majority of its benchmarks that charge a differentiated tuition rate for this program; and
- UK's recommended tuition increase on a percentage basis for 2002-03 is among the lowest in the state, and across the two years, the University's recommended increase is the lowest of all public institutions.

Mr. Miles asked about the tuition compared to the other colleges, such as law, medicine, and dentistry.

Provost Nietzel said he did not have a slide that he could present to the Board at this time; however, he could provide that information at a later date.

Mr. Miles said that he bet everyone on the Board has call-after-call from people that cannot get in those colleges, and money is not a factor to them.

President Todd pointed out that one of the things showed in the presentation is the affordability picture. The University has an access role as well as a cost role to the student body. He mentioned the MBA program and stated the University had some market justification for changing their tuition. That is the university's first experiment with that. He said, in his opinion, the University is well justified in not going up the same percentage on out-of-state students but the University has paid a price in lower enrollment from the out-of-state students. This is an opportunity to try to regain some of that population. He thanked Provost Nietzel, Dr. Connie Ray and others who put the time in looking through all of the data to try to make this a very serious recommendation. He said they could certainly look at the professional programs as well.

Mr. Wilcoxson said he assumed that these increases are tied in with the budget, and the dollars coming in tie in with the money needed to operate.

Provost Nietzel replied, yes. The overall picture, of course, includes tuition, and the state appropriations are not known at this point, although there are some expectations that there will be very, very little growth in that figure or perhaps no growth in that figure for the period of time.

Mr. Wilcoxson asked if this is a projection to fit within the budget structure.

Provost Nietzel replied, yes. The requirement is for the University to make these recommendations for the two-year period, partly to provide students and their families some clear expectations about what it is going to cost to get an education.

Upon the recommendation of the Finance Committee, Mr. Chellgren moved the adoption of FCR 19. Mr. Wilcoxson seconded the motion, and it passed.

Mr. Robinson said he really appreciated the President and the Provost including him in this process and meeting with him to talk about the students' concerns. Some of the students' concerns discussed with him are scholarships, especially the merit scholarships increasing at the same rate as tuition. The other main concern is making sure that some things that directly impact students' lives are included, if this is coming out of the students' pockets. He urged the Board to amend FCR 19 and to add this commitment to students showing that the Board of Trustees supports improving the educational resources and opportunities for students at the University of Kentucky. He stated that the tuition schedules for 2002-03 and 2003 -04 attempt to maintain as priorities the following two objectives: (1) enhance future academic, student support, and campus life initiatives of primary importance to students, and (2) increase all merit scholarships commensurate with the tuition schedule. He made a motion to amend FCR 19.

Mr. Chellgren asked if anyone tried to price this out.

President Todd explained that they actually could tell how much has to be taken away from the new tuition in order to equate the scholarships to the present value.

Ms. Sims asked if that had been figured.

President Todd replied that it had already been done.

He explained that point number two in the amendment is to make sure that the University does not allow the buying power of the scholarships to be diminished as a result of the increase in tuition. He said they would increase all of those scholarships up to the new tuition rate. That is something that the University is committed to doing. Secondly, money will be spent in student areas where the students consider them to be priorities (classrooms, living space, and other campus areas). There are no mandatory stated expenditures, but it is just the fact that priorities will be put on the areas that affect students. He stated that he is comfortable with that.

Mr. Miles called for a vote on the amendment, and it was approved. He then called for a vote on FCR 19 as amended. On motion made by Mr. Chellgren, seconded by Mr. Wilcoxson, FCR 19 was approved. Mr. Robinson voted "nay." (See FCR 19 and the PowerPoint presentation at the end of the Minutes.)

Mr. Robinson asked to explain his vote. He said there are a lot of times when you are in an elected position that being a trustee or being an agent conflicts with those two roles. This is one case where he has to be an agent and vote with the way that he knows the student body would want him vote.

Mr. Miles said the Board understood that and asked that the record show the vote was eighteen to one.

R. Capital Request 2002-2004 (FCR 20)

Mr. Chellgren said that FCR 20 is the Capital Request to be submitted to the State. He moved the acceptance of FCR 20 and said President Todd has a few comments he would like to make to this specific item.

President Todd suggested that the Board go to the introductory section on the second page. He reported that he was in Frankfort two weeks ago speaking to the Capital Committee about the university's priorities. The Capital Request booklet contains renovations and enhancements, but the primary focus that he would speak about are the top five capital requests.

He said the university's top priority is the Morgan School of Biology. It has the largest undergraduate enrollment. It feeds agricultural, biotech and all of the pre-health professionals as well as just pure biology majors. This request is for a proposed addition to the Morgan Building that will provide instructional space, research space as well as offices for faculty, graduate students and other research personnel.

The number two priority is the College of Pharmacy. He reminded the Board that the College of Pharmacy is ranked third among all schools of Pharmacy in the United States, and the priority at this institution is to drive the research agenda forward. However, there is a major training mission in Pharmacy. They train 88 pharmacists per year, but that number must increase to at least 130 in order to meet the demands and even go beyond that. This space is not only going to allow them to meet that demand but in addition, to look at the pharmaceutical sciences where they have competitive areas of drug discovery and design. Several of the new areas coming out of NIH bring quite a bit of funding to this space. One of the unique things in this state is the combination between Biology, Pharmacy and Agriculture. Biology and Pharmacy are two areas that need renovation and additional space.

The third priority is the building complex for the Gatton College of Business and Economics. A large part of this purpose is to accommodate the enrollment increase that the College has experienced, a 25-30 percent increase over the last few years that really put a strain on that facility. They also need some space for their Research Challenge Trust Fund labs and for the service programs that they offer. They have some major programs of service that they offer throughout the State. The building would be a complex that would sit by Memorial Coliseum if it gets funded. It would be an approach for the University to begin moving toward downtown Lexington with a business function that would be attractive to some of the people who are downtown. It would give space back in the existing Gatton College of Business and Economics Building where some of the leading programs, such as the Patterson School and the Martin School, could be housed. Those programs are in need of additional space. They are already top ranked programs that could move forward. This is unique in that the proposal is asking the State for only half of the funding for that complex. The other half would be raised from donors. Discussions with Mr. Terry Mobley and Dean Richard Furst have begun about the process of raising funds from donors.



The fourth priority is the new building for the College of Law. That existing building is quantitatively as well as qualitatively insufficient to support the present needs. They have up-graded some classrooms, but they just need some new space that can address the present way of teaching modern techniques of law. If you look at the request, the University has \$13,000,000.00 from other sources, and these are funds that could be raised to support the construction of that building.

The fifth request on the capital list is the new building for Lexington Community College (LCC). Their enrollment is up to almost 8,000 students, and the buildings that they presently occupy are under stress with their classes. Some things are being done to help offset some of that pressure now. A new facility will open in Winchester. Last year, the College occupied some space on Regency Road that allowed them to accommodate an additional 1,000 students. Some other things are being considered in the short-term to give them the ability to meet the needs that they presently have. He informed the Board that when he inherited the capital list, the Lexington Community College was the number one priority, and he had the “pleasure” of telling the LCC faculty last Friday that it is now number five. He said that he feels strongly that in order for the University to achieve its mission, the University has to have Biology and Pharmacy on the top of the list. President Todd said that he is working closely with Dr. James Kerley.

President Todd noted that he and Dr. Blanton are looking at the facilities to see what things can be shared and done with space that will give some flexibility at this point in time.

He said the only other specific item he would mention is the Early Childhood Education Lab. He is moving the Early Childhood Lab up into the top ten category for a couple of reasons. One is because it is needed. It is in the basement of the Human Environmental Sciences building, and it is not conducive to real good training for young children or the professionals who are learning to teach the early childhood programs. In addition, this is a priority for the Governor. Some of the tobacco settlement money has specifically been set aside for this purpose and there is a chance that the University could get it funded. In order to enhance that chance, he has moved it up into the top ten category.

He stated that the Capital Request document will be reprinted by October 1, and it will be taken back to Frankfort to make the University’s official request.

He said, in his opinion, the funding for capital requests is going to be pretty challenging. He also said that he wanted to look at some alternative funding mechanism in the event the University does not get the capital requests approved this time so that the University can be positioned to move aggressively when the capital requests are approved. President Todd requested approval of the Capital Request document.

Ms. Sims seconded the motion and said that President Todd did not mention that the Law School is in the top tier of Law Schools.

Dr. Stumbo said that there is one thing that is really important to folks at his end of the state. It is the new patient tower complex. A lot of people in East Kentucky come to the University of Kentucky to these facilities that are really outdated for patient care. When the University gets this modern patient tower, it will free up other space for research. He said he would like to at least put that out on the table, and in his opinion, that is something that we want to get done.

President Todd thanked Dr. Stumbo and said that has been a subject of conversation. He asked Dr. Holsinger to address that concern.

Dr. Holsinger said that the University is requesting, in the 2002-2004 General Assembly, authorization for the University to expend up to ten million dollars to do the study to determine the location of the building and to do its design work so that the University can come back to the 2004 General Assembly for the final approval for the funds for the construction. It is in the hospital list of capital projects.

Mr. Miles asked when it would be completed.

Dr. Holsinger said it would take two years to do the study and the design. The design is about a twelve to fifteen month process for this size and complexity of facility. He stated that the University does not need to ask for authorization for the expenditure of all of the money in the 2002-2004 Biennium because it will be the summer of 2004 before the drawings are finished. That would allow the University to begin immediate construction in the late summer or fall of 2004. It'll take approximately 24 to 30 months to complete it; therefore, it would be open sometime at the end of 2006.

President Todd stated that it would be a major project.

The motion previously made by Mr. Chellgren and seconded by Ms. Sims passed. (See FCR 20 at the end of the Minutes.)

S. Investment Committee Report

Mr. Miles called upon Ms. Wickliffe for the Investment Committee report.

Ms. Wickliffe thanked Mr. Henry Clay Owen and his staff. She reported that Mr. Owen filled in at the meeting when Cambridge and Associates, one of the University's consultants, could not get to the meeting. She said that Mr. Owen did a great job and expressed appreciation to him and his staff.

She reported that the endowment investment assets had a market value at June 30, 2001 of \$440 million compared to June 30, 2000 of \$378 million which is an increase of \$62 million.

The fiscal year 2001 was a good year for the endowment investments, relative to the market, with UK's domestic equity managers producing a total return of minus 5.7%, compared to the S&P 500 market index of minus 14.8%. The international equity portfolio returned minus 17.5% compared to the MSCI EAFE index return of minus 23.6%. The fixed income portfolio returned 10.7% compared to the Lehman Brothers Government/Credit Bond index return of 11.1%.

Overall, the endowment posted an average total return of minus 1.2% for the year ending June 30, 2001, compared to minus 4.2% for a blended market index of allocated assets, an out-performance of 3% over the capital market indexes. Preliminary data from Cambridge Associates, who are the consultants to the Investment Committee, indicate that the UK endowment was in line with the endowment median return for the same period, which was minus 1%.

In summary, the University of Kentucky endowment has performed very well over the last several years in relation to both the capital markets and the peer institutions.

Mr. Miles asked for any questions or comments about the Investment Committee's report. There were no questions or comment.

T. Comment by Dr. Loys Mather

Dr. Mather said he would like to return very briefly to some comments that Dr. Plattner made earlier in the meeting and in particular, to offer thanks on behalf of himself, the other UK Trustees, and the faculty and staff for the spirit of inclusiveness and the team approach that exists on the Board.

He reminded the members who were on the Board two years ago, when Mr. Miles was elected Chairman of this Board, that Mr. Miles said, "you may have elected me Chair but all of you are going to share in the operation of this Board." He said Mr. Miles has carried out his promise.

During the presidential interviews last January, President Todd very clearly came across during his interview as someone who was a team builder and had the spirit of a team approach.

He explained that the reason he is pointing this out is there are a couple of actions that were taken at this meeting that are kind of out of the ordinary. One is selection of the emeritus staff status that, in his opinion, is highly significant. The other is the election of a faculty member to the Executive Committee and Chair of that Committee. This is a bit out of the ordinary. These are two steps that will not go unnoticed on campus. They are steps that this Board has taken that shows that the Board not only talks and advocates team building and team inclusiveness, but they also practice it.

From his standpoint, he thanked the Board for the confidence they have put in him. He assured everyone that it is not something that he sought. He offered other

suggestions for the Executive Committee and found he was quite ineffective. He ran up against some stronger wills than his own. He said he appreciated the confidence, and he will do his best not to disappoint the Board.

U. Meeting Adjourned

With no further business to come before the Board, Mr. Miles adjourned the meeting at 4:40 p.m.

Respectfully submitted,

JoEtta Wickliffe  
Secretary, Board of Trustees

(PR 2, 3A, 3B; AACR 1; FCR 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, and PowerPoint presentations which follow are official parts of the Minutes of the meeting.)