

Minutes of the Meeting of the Board of Trustees of the University of Kentucky,
Tuesday, June 24, 2003.

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, June 24, 2003 in the Board Room on the 18th Floor of Patterson Office Tower.

A. Meeting Opened

Mr. Steven Reed, Chairperson, called the meeting to order at 1:00 p.m., and Dr. Elissa Plattner gave the invocation.

B. Roll Call

The following members of the Board of Trustees answered the call of the roll: Marianne Smith Edge, Davy Jones, Michael Kennedy, Pam May, Robert Meriwether, Billy Joe Miles, Elissa Plattner, Steven Reed (Chairperson), Joe Ruschell, Frank Shoop, Marian Sims, Grady Stumbo, Myra Tobin, JoEtta Wickliffe, Billy Wilcoxson, Russ Williams, Elaine Wilson, and Barbara Young. Absent from the meeting were Paul Chellgren and Alice Sparks. The University administration was represented by President Lee T. Todd, Jr., Provost Michael Nietzel, Acting Senior Vice President Jack C. Blanton, Vice President for Research Wendy Baldwin and General Counsel Paul C. Van Booven.

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 1:04 p.m.

C. Consent Agenda

Mr. Reed entertained a motion for approval of the May 6, 2003 Minutes that were on the consent agenda. Ms. Wilson moved approval of the Minutes. Ms. Smith Edge seconded the motion, and it carried without dissent.

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

President Todd called attention to the following items in PR 1.

1. The Surgery Department has moved up in the National Institutes of Health rankings and is listed as 16th among 74 public medical schools. This is a great move for the Department of Surgery.
2. The College of Agriculture opened a new \$21 million Plant Sciences Building in mid-May.

3. The University of Kentucky recently earned the most “green lights” of all state universities as far as CPE is concerned about moving their agendas forward. This is due to House Bill 1.
4. The annual Children’s Miracle Network Telethon raised \$1,231,635 to benefit the UK Children’s Hospital. The telethon has been tremendous, and the community is extremely supportive of that hospital effort.
5. A team of 50 College of Engineering students has designed a glider (“Big Blue” – Baseline Inflatable Glider Balloon Launched Unmanned Experiment) that may help NASA scientists explore the mysteries of the planet Mars. The glider was tested in early May and performed nearly perfectly. Overseeing the students were Professors James Lumpp and Suzanne Smith.
6. UK researchers won the vast majority of the funding available from the Kentucky Science and Engineering Foundation in mid-May. This is the state’s new economy effort where they put together a science and engineering foundation and the Kentucky Science Council solicits proposals. UK related faculty got \$1.4 million out of \$2 million that was made available. This is new seed money from the State of Kentucky to try to help develop new enterprises based on intellectual property.
7. Vipul Mankad and Karen Stefaniak have been selected for Robert Wood Johnson Foundation fellowships. This gives the University great notoriety when our faculty participates with a few that are selected around the country and spend time with those people. It also improves UK’s image.
8. UK’s School of Journalism and Telecommunications has been reaccredited for another six years.
9. Three UK students have received Fulbright Scholarships for study abroad.
10. Full-time benefits are now extended to employees with a full time equivalency (FTE) of .75 or greater, except for employees of the University Hospital. This is one of the recommendations of the Work Life Task Force. Employees previously working 30 hours a week without benefits will now have benefits, which is extremely important. In addition, if faculty and staff can work it out with their department chairs to have a FTE of .75 and many would like to do that for elderly parents and child care, and other reasons, they can now do that and still retain their benefits.
11. The Lexington-Fayette Urban County Council conducted a Council meeting on the UK campus. This is the first time in history for that to take place.

President Todd encouraged the Board to read all the student and faculty awards listed in the report. They are too numerous to mention, but they are outstanding.

President Todd reported that the Senate and Provost had worked hard to implement a four-year contract for students. Departments are now being enlisted to participate in the program. If the University system gets in the way of a student, who has followed all of the plan, graduating in four years, the University will pay the tuition after that point. He noted that Tony Stempel is a student who worked hard and did a lot of research for the program.

E. Personnel Actions

President Todd report that PR 2 is typically on the consent agenda; however, since one of the items in PR 2 needed to be mentioned, PR 2 was not on the consent agenda.

President Todd called attention to the appointment of Dr. Charles Wethington. For the record, he reported that Dr. Wethington began his academic career at UK as an instructor in Educational Psychology during the 1965-66 academic year. He then moved into the administration of the Community College System with an appointment as Acting Director of what was then called Lexington Technical Institute in 1966. He was appointed as the Director of Maysville Community College in 1967. After his administrative promotion in 1971 to Assistant Vice President of the Community College System, the Board acted to confer on him an academic status of Associate Professor in the Community College System in 1971. In 1981 Dr. Wethington was appointed as Vice President of the UK Community College System. He became Chancellor of that Community College System in 1982 and President of the University of Kentucky in 1991.

In accordance with Dr. Wethington's contract, on July 1, 2003, he had the option to assume the academic duties of Associate Professor with tenure that the Board conferred on him in 1971. He has chosen to exercise that option. His academic assignment is in the Lexington Community College. It will be in the Division of Humanities and Business and Technology. The faculty of that division, having been a part of this process, was consulted about that assignment.

President Todd reported that he had informed Dr. Wethington that he will set down with Dr. Jim Kerley to talk about his Distribution of Effort. It will include teaching, and Dr. Kerley and Dr. Wethington will work on that. It will have to be approved by the Provost, and then he will be assigned as a result of this PR 2 action to the Lexington Community College as a tenured associate professor. President Todd said that was the only item that he would mention in PR 2.

Mr. Reed asked for a motion to approve PR 2. Mr. Shoop moved approval. Ms. Sims seconded the motion, and it carried without dissent. (See PR 2 at the end of the Minutes.)

F. Appointment of Executive Vice President for Finance and Administration (PR 3)

President Todd said that PR 3 recommends that the Board of Trustees approve the appointment of Richard P. Siemer as Executive Vice President for Finance and Administration effective August 1, 2003. He noted that Dr. Jack Blanton has agreed to work through the month of July.

President Todd said that he admired Mr. Siemer for waiting until August 1st. Mr. Siemer has been instrumental in implementing a new ERP system that includes accounting at the Ohio University. He did not want them to have to close the books without him being there; therefore, he will remain at Ohio University until July 31st to make sure that everything goes smoothly with the new ERP system. One of many strong points of Mr. Siemer is the fact that he has been through ERP system development and that is something that UK is going to undertake as the budget unfolds at this meeting. President Todd reported that Mr. Siemer was Vice President of Administration at Duke University and Vice President for Finance and Treasurer at Ohio University. He recommended the appointment of Mr. Siemer.

On motion made by Mr. Wilcoxson, seconded by Ms. Smith Edge, PR 3 was approved without dissent. (See PR 3 at the end of the Minutes.)

President Todd introduced Dick and Pam Siemer to the Board and asked Mr. Siemer for a comment.

Mr. Siemer said that they were very happy to be at the University of Kentucky and were looking forward to working with the leadership.

G. Appointment of Associate Provost for Academic Affairs (PR 4)

President Todd recommended that Dr. David Watt be appointed as Associate Provost for Academic Affairs effective May 15, 2003. Once this motion is acted upon, he said he would ask Provost Nietzel to make a comment.

Mr. Reed called for a motion. Ms. Wilson moved approval. Ms. Sims seconded the motion, and it carried without dissent. (See PR 4 at the end of the Minutes.)

Provost Nietzel made some comments about the creation of the position. He reported that the position developed as a result of recommendations that were made as the University moved toward the Provost Model and recognizes the need for some additional senior level academic leadership in support of the entire academic enterprise – both the academic units in the Medical Center as well as on the North Campus.

This is a position that has been conceived to be one that would be responsible for a broad array of academic activities concentrating on the recruitment and appointment

of faculty, faculty affairs in general, the promotion and tenure stream for faculty appointments, the coordination of academic space as we again try to integrate the academic program across campus, oversight of special academic initiatives that we are undertaking in response to the Futures Committee recommendations, the Top Twenty Report and other initiatives that we will begin in the next few years and some of which will be talked about as the budget is presented at this meeting.

Provost Nietzel announced that Dr. Watt would act in his absence in the role of the Provost. He said he was thrilled that Dr. Watt was willing to be considered for this position. He reported that the committee to evaluate internal candidates unanimously recommended Dr. Watt for the post.

Provost Nietzel provided background information about Dr. Watt, noting that many people in the audience and on the Board know David Watt. Dr. Watt has been at the University for nearly twenty years. He comes with an outstanding set of credentials and as a scientist himself. A chemist by training, Dr. Watt was an undergraduate at Dartmouth and received his graduate degrees at Harvard. He served as chair of Chemistry at the University of Kentucky. He was director of ASTeCC. In the former organization, Dr. Watt was a Vice Chancellor for the Lexington Campus and Vice Chancellor for Research and most recently has been the Executive Dean in the College of Medicine. He has a wonderful reputation on campus as an academic leader who knows both the details and can appreciate the big picture for the University. Provost Nietzel said he was pleased to be able to have this chance to work with Dr. Watt, he is very pleased with this appointment, with the development of the position, and with Dr. Watt's willingness to accept the position. He asked Dr. Watt to say a few words.

Dr. Watt said that he did not know of any better way to express his commitment to the University other than to say that he and his wife sent their children to the University of Kentucky. He said that he is committed to the University's health and well-being and that he looks forward to working in this new position to assist the faculty and students and, of course, the President and this administration.

Dr. Jones said that he had known Dr. Watt for a number of years, and the University is in very good hands with this part of the team.

President Todd said that was a great commendation coming from a faculty member, and he appreciated Dr. Jones' comment.

H. Appointment of Dean of the Graduate School (PR 5)

President Todd said that PR 5 recommends the Appointment of the Dean of the Graduate School. The recommendation is that Dr. Jeannine Blackwell be appointed as Dean of the Graduate School, effective July 1, 2003.

Mr. Reed called for a motion of approval of PR 5. Ms. Sims moved approval. Professor Kennedy seconded the motion, and it carried without dissent. (See PR 5 at the end of the Minutes.)

Provost Nietzel reported that this position is very important to him. He began his comments by acknowledging the terrific work that Doug Kalika had done the past two years as the Acting Dean of the Graduate School. The Graduate School thrived in those two years, and Dr. Kalika was a wonderful Dean. He said he was very much appreciative to Dr. Kalika for all the good work that he did.

Provost Nietzel said that 1985 was a good year for the University of Kentucky. It was that year that Dr. David Watt and Dr. Jeannine Blackwell both joined the faculty. Dr. Blackwell is also very well known on campus. She has had a number of leadership positions. She was educated at Duke University where she received her undergraduate degree and her Master's degree and then her Ph.D. in German at Indiana. Dr. Blackwell has a national reputation as a leader in the modern language association, and in a variety of professional organizations devoted to scholarship in German studies. She is a former chair of the Department of German and Germanic Languages. She was an Associate Dean in Arts and Sciences and most recently, an Acting Director of Women's Studies as well. She has been the Senior Associate Dean in the Graduate School. A national search for the position was conducted. There were approximately 40 candidates for the position. Three individuals were interviewed. Dr. Blackwell received very good broad support across the campus. Provost Nietzel said that he is delighted to be able to have her assume the leadership as Dean of the Graduate School and also delighted that her husband, Michael, and daughter, Betina, are at the meeting to join in recognizing her appointment. He asked Dr. Blackwell for comments.

Dr. Blackwell said that she is excited to accept the challenge of leading the Graduate School during the next couple of years as the University tries to fulfill the dream and the challenge that is being laid out in the new strategic plan. Graduate education will be a key to preparing future leadership for the Commonwealth. Training scientists, entrepreneurs, teachers, social workers, medical personnel, artists and all sorts of professionals who think creatively, are the people Kentucky needs -- both homegrown and from the nation and the world. A thriving Graduate School helps make a gifted and well-educated community and such a community attracts creative people. She looks forward to making Graduate Studies at UK that kind of productive endeavor. She pointed out that she could not do this without a strong tradition in graduate education at the University. She thanked the former Deans of the Graduate School for helping establish that. She noted that is quite a roster: Wimberly Royster, Dan Reedy and Mike Nietzel. She also thanked the staff of the Graduate School who keeps the wheels turning. That is what makes it possible for the University to grind out all of the degrees. She acknowledged her daughter, Betina Jones, who is an honor student at Morton Middle School but who does not want to go to Graduate School. She wants to go to Law School.

I. Appointment of Acting Executive Vice President for Health Affairs (PR 6)

President Todd recommended that Dr. Alfred Cohen be appointed as Acting Executive Vice President for Health Affairs effective June 1, 2003. He reminded the Board that the University is in a search for a permanent Executive Vice President for Health Affairs. In view of the fact that the University will very likely not have someone occupy that position on July 1st, it was suggested and he certainly concurred that Dr. Cohen be assigned to the position.

President Todd reported that Dr. James Holsinger has been very helpful in the transition. Dr. Holsinger suggested Dr. Cohen's appointment begin June 1st; therefore, Dr. Cohen has been in an acting position since that date.

President Todd stated that Dr. Cohen is currently the Director of the Markey Cancer Center and a Professor of Surgery at UK as well as head of the search committee for the new Executive Vice President. His other credentials are listed in PR 6. Dr. Cohen will reside in the acting position until a replacement is found for the permanent position. He noted that the search committee was down to about three candidates, and he hoped to be able to fill the position fairly soon.

Mr. Reed called for a motion of approval of PR 6. Ms. Smith Edge moved approval. Ms. Wilson seconded the motion, and it carried without dissent. (See PR 6 at the end of the Minutes.)

J. Chancellor Emeritus be Conferred upon James W. Holsinger, Jr., M.D. Ph.D. (PR 7)

President Todd said it was indeed a pleasure for him to recommend that Dr. James W. Holsinger, Jr. be named Chancellor Emeritus in recognition of his long service, dedication, and many contributions to the University of Kentucky. He noted that Dr. Holsinger is not retiring but going away for a year on sabbatical. He will come back and do what he dearly loves to do, and that is teaching students.

President Todd noted that Dr. Holsinger received his B.S. degree from the University of Kentucky and wears a Kentucky ring because he never had a B.S. by passing the final part of his undergraduate studies to go directly to Medical School. While at UK, he actually took calculus and other subjects and has been a mentor for students all along. His distinguished career is in the background information of PR 7.

Dr. Holsinger served for more than twenty-six years in the U.S. Department of Veteran's Affairs. He served for nearly thirty-two years in the U.S. Army reserve, retiring with rank of Major General, and at the end of that assignment was an Assistant to the Director of Logistics of the Joint Chief during the Persian Gulf War of 1991. As Chancellor, he has worked to expand and extend the three core missions of the academic health center. The research mission has expanded from \$35 million to more than \$100

million. The clinical programs continue to develop. Dr. Holsinger is responsible for nine facilities on campus. President Todd said that he had driven through the south campus and looked in amazement at how that end of campus has changed under Dr. Holsinger's leadership. He said he is grateful to Dr. Holsinger for what he has done for the University. He expressed appreciation to Dr. Holsinger for the last two years that he has worked with him.

Mr. Reed called for a motion of approval. Ms. Sims moved and Ms. Wilson seconded the motion. It carried unanimously. (See PR 7 at the end of the Minutes.)

Mr. Reed said Dr. Holsinger was a very warm, very receptive, very encouraging, reassuring and steady hand. He said that he did not think he had ever been at a UK event and not seen the smiling, friendly face of Dr. Holsinger. He said that he, personally, had enjoyed knowing Dr. Holsinger, and he looked forward to a continued relationship. He said that he wanted to put on the record that Dr. Holsinger has meant a lot to the University and has certainly meant a lot more to him than Dr. Holsinger probably realizes.

President Todd asked Dr. Holsinger for any comments.

Dr. Holsinger thanked the Board for having the courage to elect him to the position nine years ago. He said that he deeply appreciated the nine years of opportunity that he had to be of service to the University. Having been a student here, a faculty member, and a member of the administration, he can tell the Board that he is intensely proud of his institution. This is a great American University and everyone needs to remember that as we move forward into the future. He recognized his wife, Dr. Barbara Holsinger, in the audience and asked her to stand. With her are his family members from New Zealand, his daughter, Dr. Ruth Luellen, her husband, Matthew Luellen, and his grandson, Kerin. He said he was proud that his family members could be at the meeting. He thanked the Board for electing him Chancellor Emeritus and said that he looked forward to being at the University for many, many more years in the future.

K. Appointment to Board of Directors of the Fund for Advancement of Education and Research in the University of Kentucky A. B. Chandler Medical Center (PR 8)

President Todd said that PR 8 recommends that approval be given to the appointment of Carol Farmer to the Board of Directors of the Fund for Advancement of Education and Research in the University of Kentucky Chandler Medical Center for a two-year term beginning July 1, 2003 extending through July 30, 2005.

Mr. Reed asked for a motion of approval of PR 8. Mr. Shoop moved approval. Ms. Smith Edge seconded the motion, and it carried without dissent. (See PR 8 at the end of the Minutes.)

L. Appointment/Reappointment of Board of Directors University of Kentucky Research Foundation (PR 9)

President Todd said that PR 9 recommends approval of Kenneth Roberts as a faculty member for a one year term to fill the unexpired vacancy of Robert Blouin, the reappointment of Ann Francis Miller as a faculty member for a three year term and the reappointment of Richard Kurznske as a public member for a three-year term to the Board of Directors of the University of Kentucky Research Foundation.

Mr. Reed called for a motion of approval of PR 9. Ms. May moved approval. Ms. Tobin seconded the motion, and it carried without dissent. (See PR 9 at the end of the Minutes.)

M. 2003-06 Strategic Plan – The Dream and The Challenge (PR 10)

President Todd said that PR 10 is the Strategic Plan. He explained that the plan is tied tightly with the budget, and he would like to present the Strategic Plan and seek approval at the same time he presents the budget with the FCR's.

N. Authorization and Direction for Interpretation of the Governing Regulations and Administrative Regulations to Implement the Provost Model at the University of Kentucky (PR 11)

President Todd said that PR 11 stems from the fact that the University is moving quickly and adopting the Provost Model effective July 1, 2003. The Governing Regulations and the Administrative Regulations are under consideration by committees on campus to make all the appropriate changes of the titles that are coming about because of the Provost Model. He recommended that the Board direct him as the President, as well as the Provost, the Executive Vice President for Finance and Administration, the Executive Vice President for Health Affairs and other University officials as appropriate to interpret and implement the Governing Regulations and Administrative Regulations and Human Resources Policies and Procedures consistent with the Board of Trustees prior to approval of the Provost Model of the University. This includes, but is not limited to, empowering the Provost and other appropriate officials under the model to make all personnel recommendations and decisions in the Governing and Administrative Regulations previously delegated to the Chancellors, the Senior Vice President of the Medical Center and others. Under this authorization, the President shall be the final authority on questions of interpretation and implementation.

Mr. Reed thanked President Todd for the background information and called for a motion of approval. Dr. Jones moved approval. Marianne Smith Edge seconded the motion, and it carried without dissent. (See PR 11 at the end of the Minutes.)

O. Agreement between University of Kentucky and Kentucky Medical Services Foundations (PR 12)

President Todd recommended that the Board approve the agreement between the University of Kentucky and Kentucky Medical Services Foundation. He noted that this agreement is done annually. He called attention to the paragraph that states, "its modifications include updating the dates that reflect 2003-04 Revision of Section 6, B to establish the reimbursement rate for Diagnostic Radiology Services under this agreement, and substituting Executive Vice President for Health Affairs for Senior Vice President and Chancellor of the Medical Center." While it is a lengthy agreement, it is modifications that are brought to the Board to keep it in line with the present date, present title structure, and new radiation charges.

Mr. Reed entertained a motion of approval. Ms. Wilson so moved. Ms. Tobin seconded the motion, and it carried without dissent. (See PR 12 at the end of the Minutes.)

P. Appointment of Associate Vice President for Facilities (PR 14)

President Todd said that PR 14 is a recommendation that the Board approve the appointment of Bob Wiseman as Associate Vice President for Facilities effective May 15, 2003. Mr. Wiseman was an active member of Mayor Pam Miller's administration for many years in the area of Public Works. He comes to UK's campus to work with the consolidation of the operational organization of the Medical Center with the rest of the campus. He noted that other details of Mr. Wiseman's background are listed in PR 14.

Mr. Reed called for a motion of approval of PR 14. Ms. Wilson so moved. Mr. Miles seconded the motion, and it carried without dissent. (See PR 14 at the end of the Minutes.) Since PR 13 was skipped, Mr. Reed then asked President Todd to go back to PR 13.

Q. Waiver of Part X of the Governing Regulations Pertaining to the Employment of Relatives in the Case of Dr. Sandra D'Angelo (PR 13)

President Todd said that PR 13 is the recommendation that the Board authorize the employment of Sandra D'Angelo, who is the wife of Provost Mike Nietzel, for two years pursuant to the provisions contained in Part X of the Governing Regulations authorizing a waiver of the rules prohibiting employment of a relative of the Provost, the Vice President or the Associate Vice President in that officer's administrative area. When Dr. Nietzel became Provost, his wife, Dr. D'Angelo, had been a member of the faculty for some time. With the reorganization of the Medical Center, she now is under Dr. Nietzel's area of responsibilities. President Todd asked the Board to read PR 13 in detail. He pointed out that Dr. Nietzel will not be involved in any personnel action concerning Dr. D'Angelo to include her merit reviews, compensation, consideration for promotion, reappointment, academic assignment or any other matter involving her

employment or evaluation at the University. Either the President or the Executive Vice President for Health Affairs will assume all supervisory responsibilities.

Mr. Reed called for a motion of approval of PR 13. Dr. Meriwether moved approval. His motion, seconded by Ms. Wilson, carried without dissent.

R. Creation of Executive Vice President for Research and Appointment of Dr. Wendy Baldwin (PR 15)

President Todd said that PR 15 is a walk-on item for action by the Board. It was not in the original package that was sent to the Board. After having worked with Dr. Baldwin and having thought through the organizational structure, President Todd said that he would like the Board to approve the creation of the position of Executive Vice President for Research and appoint Wendy Baldwin as Executive Vice President. Her present title is Vice President of Research. President Todd said that this new position would allow him to put Vice Presidents under Dr. Baldwin as the organization grows. It also brings about equity. He recommended the creation of the new position and noted that there is no new compensation involved.

President Todd said that Dr. Baldwin was in Washington attending a reception for bio-tech companies and was not present at the meeting. He noted that Dr. Baldwin was able to get members of the National Institute for Health, the National Science Foundation, and the Department of Energy to attend the reception and hear about the things going on in Kentucky.

Mr. Reed asked for confirmation that the President was not going to give Dr. Baldwin a new title and take money away from her salary.

President Todd replied that was true.

Mr. Reed called for a motion of approval for PR 15. Professor Kennedy moved approval. Ms. May seconded the motion, and it carried without dissent. (See PR 15 at the end of the Minutes.)

Mr. Reed said that the Academic Affairs Committee report was next on the agenda. He said that he was asked to clarify that Ms. Sparks is the Chairperson of the Academic Affairs Committee. He explained that she made great efforts to rearrange her schedule to attend the meeting; however, she could not be there because she had family commitments that involved long-term travel plans. In the absence of Ms. Sparks, he called upon Barbara Young to give the Academic Affairs Committee Report.

S. Candidates for Degrees – Community College System (AACR 1)

Ms. Young said AACR 1 was on the consent agenda and asked if it needed a motion for approval because there were no other consent agenda items.

Mr. Reed stated that all the consent agenda items had already been approved.

T. Creation of a School of Human Environmental Sciences in the College of Agriculture; Elimination of College of Human Environmental Sciences (AACR 2)

Ms. Young said that AACR 2 is a recommendation for the creation of a School of Human Environmental Sciences (HES) in the College of Agriculture and the elimination of the College of Human Environmental Sciences. The recommendation is that the Board of Trustees approve the creation of the School of Human Environmental Sciences in the College of Agriculture. The School would include three existing units and all of their associated academic programs – the Department of Family Studies, the Department of Nutrition and Food Sciences, and the Department of Merchandising, Apparel and Textiles. With a transfer of these three units, the College of Human Environmental Sciences would be dissolved effective July 1, 2003. The Committee recommends that an immediate study begin to determine the optimal placement of the Early Childhood Program within the University structure. The Committee further recommends that quarterly reports on the findings of this study be reported to the Academic Affairs Committee. She moved that the Board accept the recommendation from the Committee, and after receiving the motion, she said that she would call on Dr. Nietzel to explain the background. She said she would then expand on the background and explain how the Committee worked at arriving at this particular decision. She recommended that AACR 2 be approved. Mr. Reed asked for a second to Ms. Young's motion. Ms. Smith Edge seconded the motion.

Ms. Young called for any questions and said that Provost Nietzel would explain the background. She said that it was a little complex for her, and she would rather Provost Nietzel go through all the ramifications.

Provost Nietzel said that the background on this proposal really originates back around the first of July 2001 with the appointment of the Futures Committee, a Committee that was charged with looking at academic priorities and possible reorganization of academic units in the University. A number of those recommendations have come forward. Some of those will be presented in the Strategic Plan today with respect to specific academic priorities the University will be pursuing. He noted that there were other recommendations having to do with academic reorganization. One of those was for the University to consider the reorganization of the College of Human Environmental Sciences into some other existing colleges. The Task Force formally presented that recommendation in March 2002.

Provost Nietzel explained that the first step in that reorganization was to take the Department of Interior Design which had been one of the units in Human Environmental Sciences and move it into what was then called the College of Architecture. That then created a College of Design that consisted of the School of Architecture, the School of Interior Design and a program in historic preservation. The Board acted upon that particular recommendation in October 2002. It was approved at that time by the Board.

There were then three units left in the College of Human Environmental Sciences and those were the Departments of Family Studies, Nutrition and Food Science and the Department of Merchandising, Apparel and Textiles. As a group, they were then administered by an Acting Dean, and that was Scott Smith, the Dean of Agriculture. And through that period up to today, there has been the development of proposals about the ultimate resolution of how to organize those three units.

The faculty and staff and the administration associated with those three units as well as constituents that remain very devoted and interested in the College of Human Environmental Sciences have worked on proposals on how to organize in the future. A variety of proposals were generated, but there were two that became crystallized as the alternatives. One of those proposals was that the Department of Family Studies would go to the College of Education and that the other two departments -- Nutrition and Food Science and Merchandising, Apparel and Textiles -- would stay in the College of Agriculture. The other proposal was that all three units would stay as they are now, together, essentially as a school that would exist in the College of Agriculture. Those two proposals were deliberated upon. They were modified, and they were then subjected to a variety of discussions and ultimately a series of votes by the affected faculty and staff.

He said that he would characterize those votes as resulting in the lack of a consensus on either one of the two proposals. They were very evenly divided. In some cases, there was a vote preference -- one vote preference for Proposal One. If you took a different group of people who were invited to vote, there was a majority vote for Proposal Two.

He reported that the two proposals were submitted to him on March 10th. He met with the faculty in those three units and explained to them that absent a clear consensus, it imposed a little bit higher burden for the administration to go ahead and make a recommendation. At that point his preference was for Proposal Two in which all three units would remain together as a School of Human Environmental Sciences in the College of Agriculture.

Provost Nietzel reported that he forwarded the proposals to the University Senate on April 29th and asked for input from the Senate. The Senate did an admirable job of providing input at the last hour, and the administration was attempting to get that input because of a concern that this process not take any longer than necessary, a view that all faculty in those three units had expressed a concern about. There needed to be a resolution on this matter.

The President of the Senate Council and the Chair of Senate Council, Jeff Dembo, convened the Committee on Academic Structure, and they forwarded a recommendation. They found that both proposals were acceptable for reorganization and that both proposals had involved the faculty fully. They expressed a preference for the proposal which would have the Department for Family Studies going to Education and

the other two units to the College of Agriculture. After careful consideration of that recommendation, as well as those from a host of constituents with an interest in the College, he said they continued to favor Proposal Two which would take all three units, retain them together and put them as a school in Agriculture. He noted that the reasons are outlined for that recommendation, and he would not go into those unless a member of the Board would like further elaboration of it.

He said that there were basically four reasons that they preferred that outcome, having to do with the sustaining of some complex curricula: the views that had been expressed by alumni and supporters of the College, the belief about how staffing could best be accomplished, and then also the history of success that the College of Agriculture has provided as an academic environment both for the beginnings of the College which is where it began over twenty years ago as well as many other units that have thrived in the Agriculture context.

He reported that the Academic Affairs Committee of the Board has had two meetings to come to this final resolution which he thinks the Administration believes is a very good one, and the notion that the administration would need to continue to monitor this reorganization and specifically look immediately at the issue of Early Childhood Education and its best location programmatically with quarterly reports due is also a good one that will help get to a resolution of that in a timely way. The resolution respects really what the priorities of the faculty and the staff and the students should be and find the best place for that program to exist. He said that concluded a summary of the history, and he would be happy to answer any questions.

Ms. Young said that she had a few additional comments. When the Academic Affairs Committee was presented with the recommendation, Chairperson Sparks really felt that the Committee was not in a position to make a recommendation without convening and gathering more information. She said the Committee met the previous week for several hours with interested parties including President Todd, Associate Provost David Watt because Provost Nietzel was out of town, Dr. Kim Townley, who is Executive Director of the Governor's Office of Early Childhood Development, Ray Forgue, Family Studies faculty, Dean James Cibulka of the College of Education and Liz Demoran of the Alumni Association.

The Committee had a wide-range discussion during which it heard from Associate Provost David Watt concerning the preferences of the faculty of the College of Human Environmental Sciences for Proposal Two. The Committee also learned that out of fifteen tenured faculty in Family Studies, eleven voted for Proposal One and four for Proposal Two. The Committee also heard from Dr. Kim Townley, the Director of the Commission on Early Childhood Development. Dr. Townley reported that on national and state levels, she sees Early Childhood Programs moving to Education. President Bush is moving Early Childhood and Head Start from Health and Human Services into Departments of Education on the Federal level. In the next few months, the Governor will be moving the Office of Early Childhood Development from his office to the Department of Education. Dr. Townley also reported that recently the administration of

the University of Kentucky Extension Services had notified her that they will no longer train early childhood teachers. Clearly, the trend is moving towards the inclusion of early childhood education into departments and offices of education.

The Committee then discussed the pros and cons of moving Early Childhood components of the Department of Family Studies to Education and the rest of the Family Studies program with the other HES departments to Agriculture. President Todd suggested proceeding with moving the College of HES to the College of Agriculture but to add a recommendation that a parallel review of Early Childhood components begin immediately. This review would look at the state and national trends to determine the best fit for Early Childhood Education. The Committee quickly agreed that this compromise approach seemed the most likely to produce a good acceptable outcome for HES. That is how the Committee arrived at its decision. The Committee looked at the various components and decided that it was not totally comfortable with sending HES to Agriculture without carefully examining the Early Childhood components over a period of time. In her opinion, it was a very thoughtful decision. She noted that it is an emotional issue, and the Committee consulted with a lot of people. She said that she knew there were a lot of constituencies involved in it. The Committee feels comfortable, and, in her opinion, the administration feels comfortable that the University should end with a positive outcome from this.

Mr. Reed added that he had received an overwhelming number of emails and letters, including phone calls in the last couple of weeks. He said he found that very encouraging, and he welcomed it. He reported that he had received more than he could respond to. He had several conversations with Chairperson Sparks on this issue and was very pleased with her meeting last week. This is something that is very important to a lot of people, including Ms. Smith Edge, Ms. Sparks and every member of the Committee. He reported that he and Ms. Smith Edge even met in person and discussed it. This has been a lengthy process. You often do not know whether an answer is right or wrong, and sometimes there is not necessarily a right or wrong answer. He said he was very pleased with how hard the Committee worked to make an informed decision. He was very pleased with how conscientious this decision is and the effort that went into gathering information to make the decision and not just make it and be through with it. Rather, make a decision and continue watching it and continue to make sure that it is the right decision as the University goes forward because it affects some very precious resources and very precious lives that are important to the Board. Mr. Reed said there was a motion and a second. He called for a vote.

Mr. Shoop said that he would like to make one quick comment. He said that he supported the move, and he would like to go on record saying that he wanted the Board to stay focused on this re-evaluation of the Early Childhood Development component with the State and their focus on moving more and more into the education area. In his opinion, that is where the University probably needs to wind up with this one component. He emphasized that the Board needs to monitor this, stay focused on this, and try to move that part along with the State's focus.

Ms. Smith Edge said that she would like to also make a quick comment. As an alum, she is officially saddened by dissolving the College of Human Environmental Sciences, but at the same time, she does approve of the recommendation of moving the creation of the School of Human Environmental Sciences into the College of Agriculture. It does keep the intent of the Human Environmental Sciences programs as it relates to its outreach mission, grant mission and connection with the Cooperative Extension Service and recognize that as the University moves forward nationally and with the states with Childhood Development, it is important that everyone respect the changing environment as well and that the Board begin the evaluation. She thanked the Committee, all the Board and all the constituents. This was a very passionate and definite issue, and everyone had a very vested interest. But overall, what is best for the University is really where the Board needs to look. This recommendation does that.

Professor Kennedy said that he wanted to call attention to the last sentence in the background that states that there would be a thorough review of the School of Human Environmental Sciences within the two years in order to assess the impact of this entire reorganization and make necessary changes in response to the review that was based on a recommendation from the Senate Council. In addition to Early Childhood being looked at immediately, the entire School will be examined in two years.

Dr. Jones said he wanted to echo the sentiment that he very much appreciated Ms. Spark's effort last week in making it a very substantive Committee meeting. All parties had the opportunity to put their views out. As a faculty member, he especially appreciated that the effected faculty in the Early Childhood program there were given a chance to discuss how they would be affected by this decision and the invitation for them to continue to be able to have input in this review process.

Mr. Reed repeated that there was a motion and a second to the motion. He called for a vote, and the motion carried without dissent.

President Todd mentioned that there were numerous graduates and alumni of HES at the meeting. He expressed appreciation for their support and asked for their continued support. He thanked them for attending the meeting.

Ms. Tobin said that she would like to make one comment. She said that she is also an alum of the School of Home Economics when it was part of the College of Agriculture. She appreciated her affiliation with that College then, and she thinks that it can have a bright future.

Mr. Reed said that concluded the Academic Affairs Committee Report, and he called upon Dr. Stumbo for the Finance Committee Report.

U. Finance Committee Report

Dr. Stumbo, in the absence of Chairperson Paul Chellgren, said FCR 1 is the Operating Budget for Fiscal Year 2003-2004. The Committee voted to delay their

discussion and ask President Todd to make one presentation at the Board meeting. He said President Todd would talk about PR 10 – Strategic Plan and then present FCR 1.

V. 2003-06 Strategic Plan – The Dream and The Challenge (PR 10)

President Todd said that he would present the Strategic Plan first -- The Dream and The Challenge. He said that he thinks The Dream is the Strategic Plan, and The Challenge is the budget presentation. He thanked all of the faculty and staff that had input into the process. In particular, he thanked Connie Ray and Angie Martin for their tremendous job in pulling it together and putting it into a readable form. He also thanked Barbara Young for serving on the Strategic Planning Committee as a Board representative.

Through a series of slides, he presented the following Strategic Plan:

Presenting
University of Kentucky's 2003-06
Strategic Plan:
The Dream &
the Challenge
and
University of Kentucky's 2003-04
Operating Budget



UNIVERSITY OF KENTUCKY

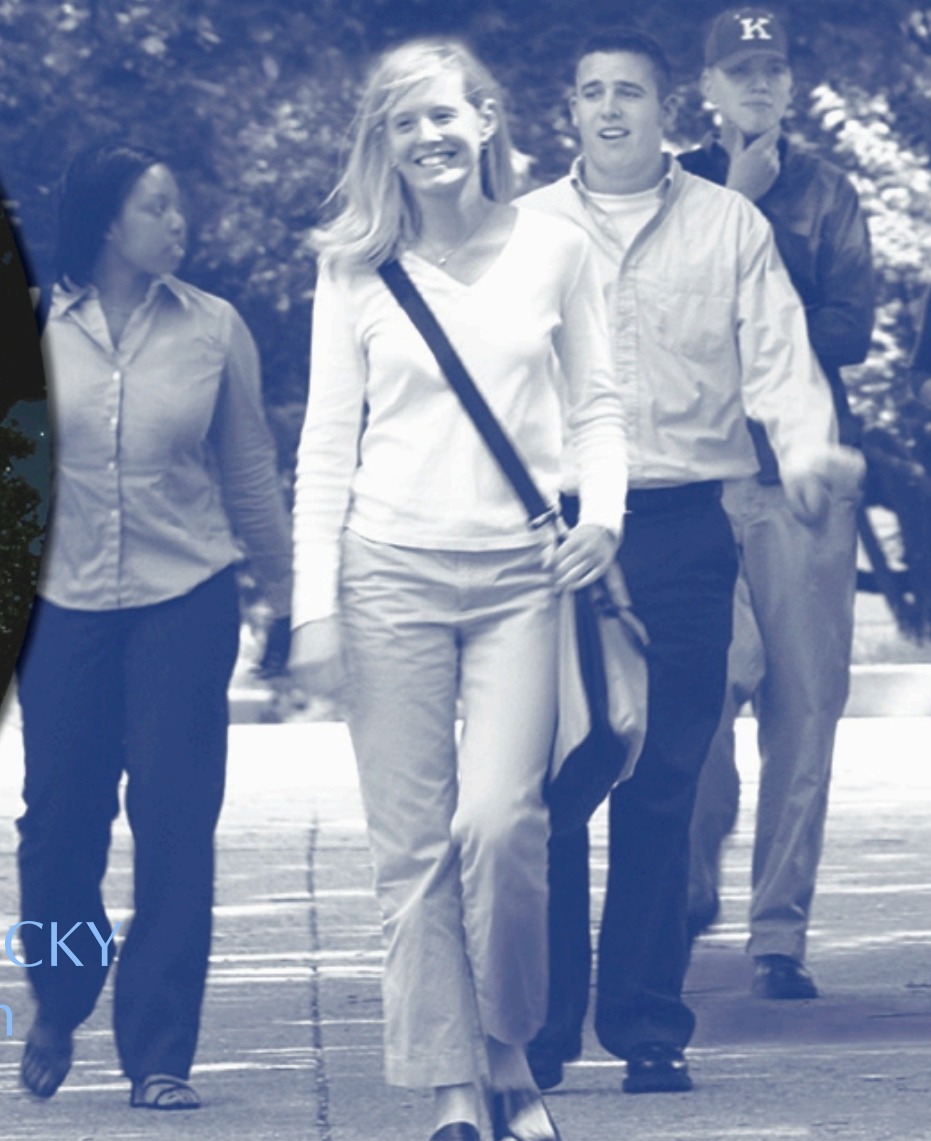
An equal opportunity university



The Dream & the Challenge

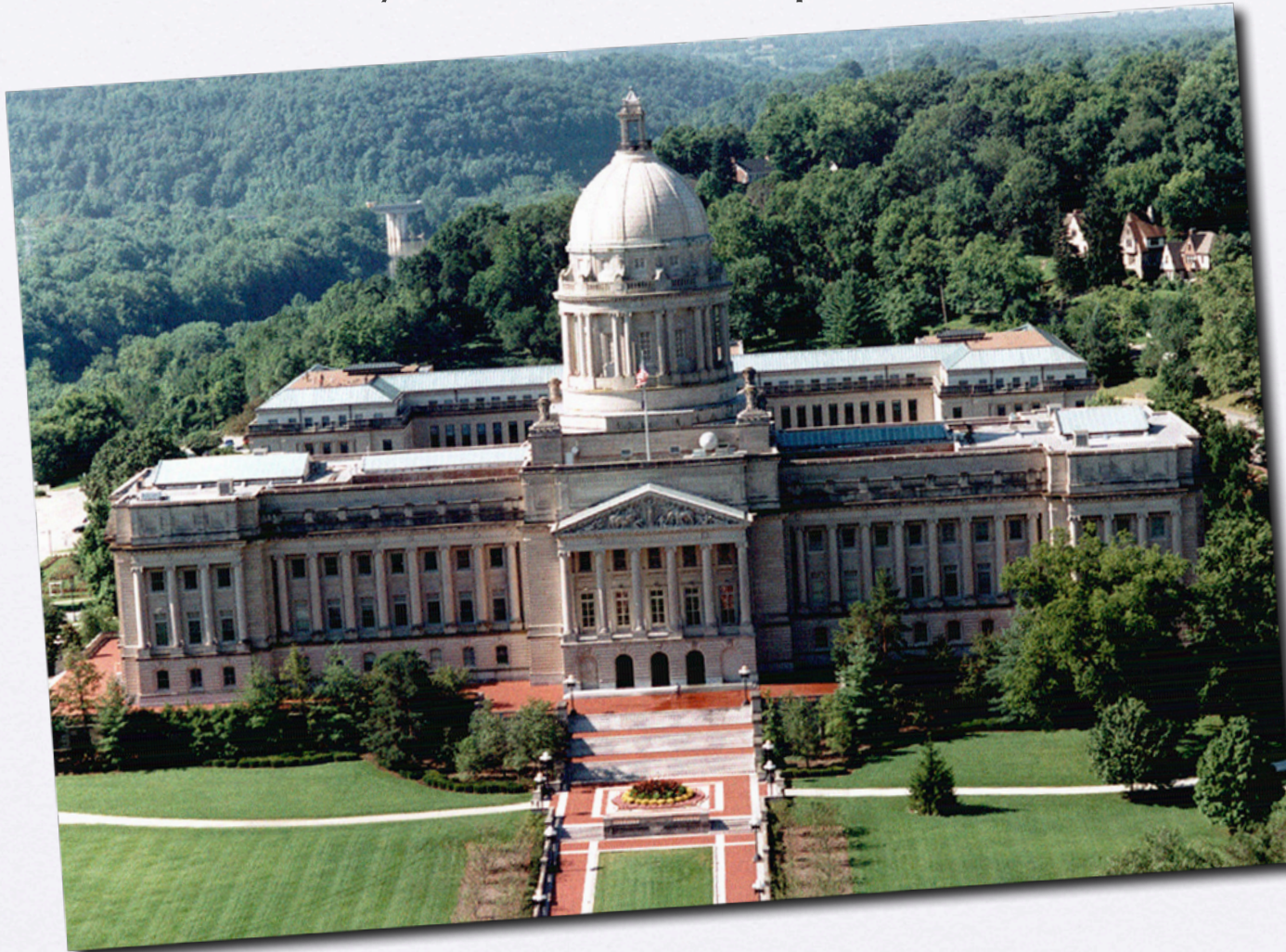


UNIVERSITY OF KENTUCKY
2003-2006 Strategic Plan



1997 House Bill 1

Postsecondary Education Improvement Act




1997 House Bill 1

Postsecondary Education Improvement Act

“National recognition is not an end
in itself; rather it is a product of
excellence in fulfilling our mission
and serving the Commonwealth.”

–Lee T. Todd Jr.

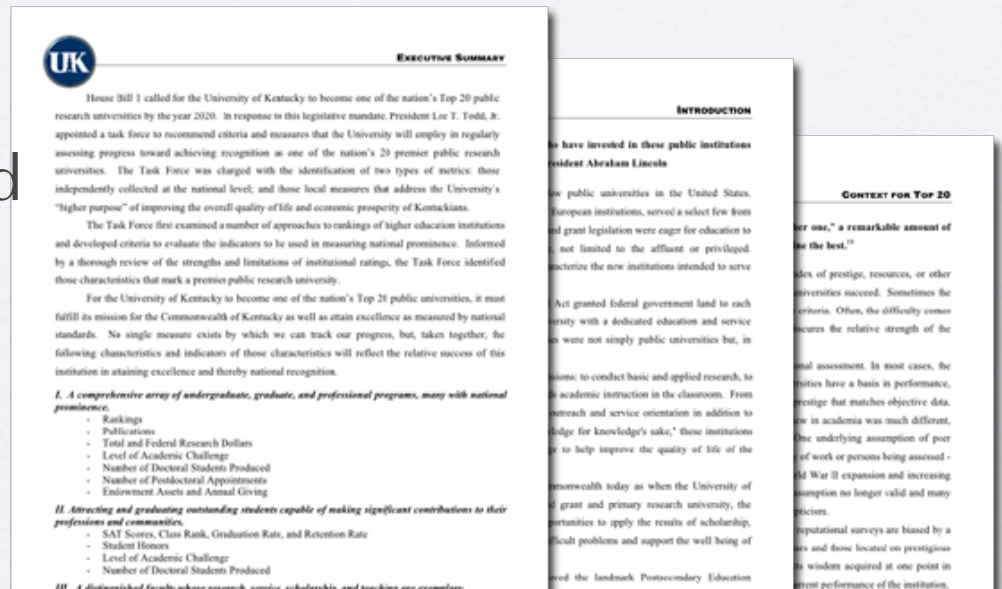
Dream and Challenge Process

 Task Force on University of Kentucky Futures:
March 2002 Report

 President's Top 20 Task Force:
April 2002 Report

 Strategic Plan Steering Committee:
June 2003 The Dream and the Challenge

 Approved
June 2003
by UK Board
of Trustees



Priority Areas for Future Development

- Medical areas
 - Cardiovascular sciences
 - Cancer
 - Infectious disease
 - Neurosciences
 - Pharmaceutical sciences and toxicology
- Cultural studies of the Americas
- Digital and nanotechnologies
- Environmental and energy studies
- International studies
- Plant bioengineering
- Public policy
- Risk-related behavioral sciences
- Teacher preparation
- Vocal music and performance

Strategic Plan Organization

- There are six goals
- Each goal is described by objectives
- Key indicators will measure the success



Our Goals

- I. Reach for National Prominence
- II. Attract and Graduate Outstanding Students
- III. Attract, Develop and Retain a Distinguished Faculty
- IV. Discover, Share and Apply New Knowledge
- V. Nurture Diversity of Thought, Culture, Gender and Ethnicity
- VI. Elevate the Quality of Life for Kentuckians

Goal I: Reach for National Prominence

OBJECTIVES

1. The University will increase the prominence of faculty scholarship.
2. The University will enhance the excellence and sustainability of the clinical enterprise.
3. The University will increase its resources in order to offer high-quality instructional, research, and service programs.
4. The University will strengthen the link between funding decisions, plans and results.
5. The University will streamline its business and information technology services.

Goal I Key Indicators:

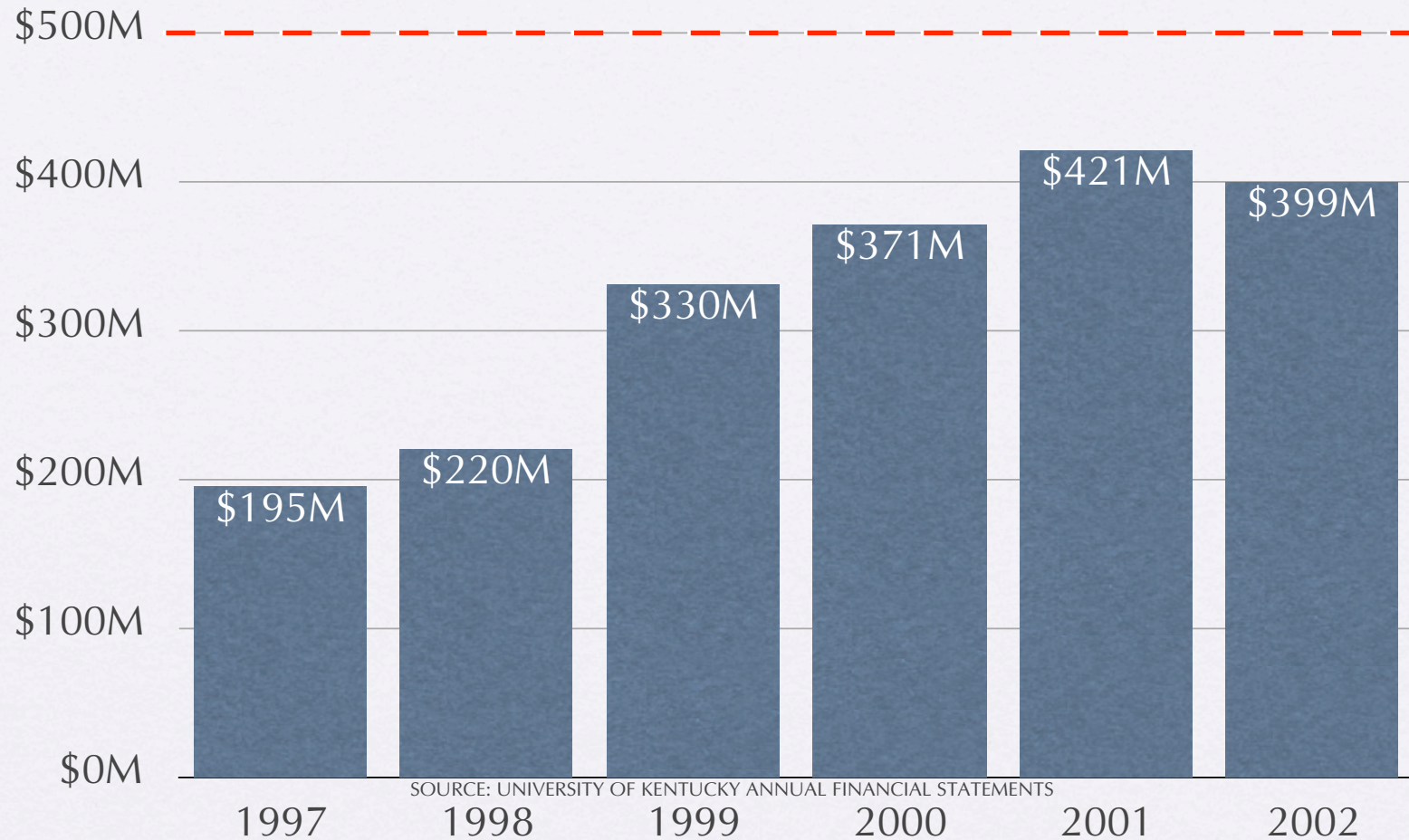
By 2006, we will:

- A. Increase from 10 to 15 the number of nationally ranked academic programs, according to the National Institutes of Health (NIH), the National Research Council (NRC), or U.S. News & World Report.
- B. Increase health affairs clinical income by 10 percent.
- C. Identify four clinical target programs and implement at least two new related business plans.
- D. Increase the market value of the University's endowments to \$500 million through fund raising focused on the priority research areas identified in the Commonwealth's Strategic Plan for the New Economy.
- E. Redesign business and clinical processes as part of the replacement of the financial, human resource, student and health enterprise information systems.

Goal I: Reach for National Prominence

Key Indicator D: Increase the market value of the University's endowments to \$500 million.

Market Value of University Endowment (in millions)



Goal II: Attract and Graduate Outstanding Students

OBJECTIVES

1. The University will admit and enroll an increasingly higher caliber of student.
2. The University will collaborate with Kentucky's other postsecondary education institutions to facilitate success for transfer students.
3. The University will engage students in rigorous educational programs and provide an environment conducive to success.

Goal II Key Indicators:

By 2006, we will:

A. Increase the middle 50 percent range of ACT scores for incoming freshmen to 23-28, as reported to U.S. News & World Report.

B. Achieve enrollment and community college transfer goals established in collaboration with the Council on Postsecondary Education.

C. Open a new undergraduate residence hall, designed as a 21st century living/learning community.

D. Increase the first-to-second year retention rate of first-time, full-time, degree-seeking students to 83 percent.

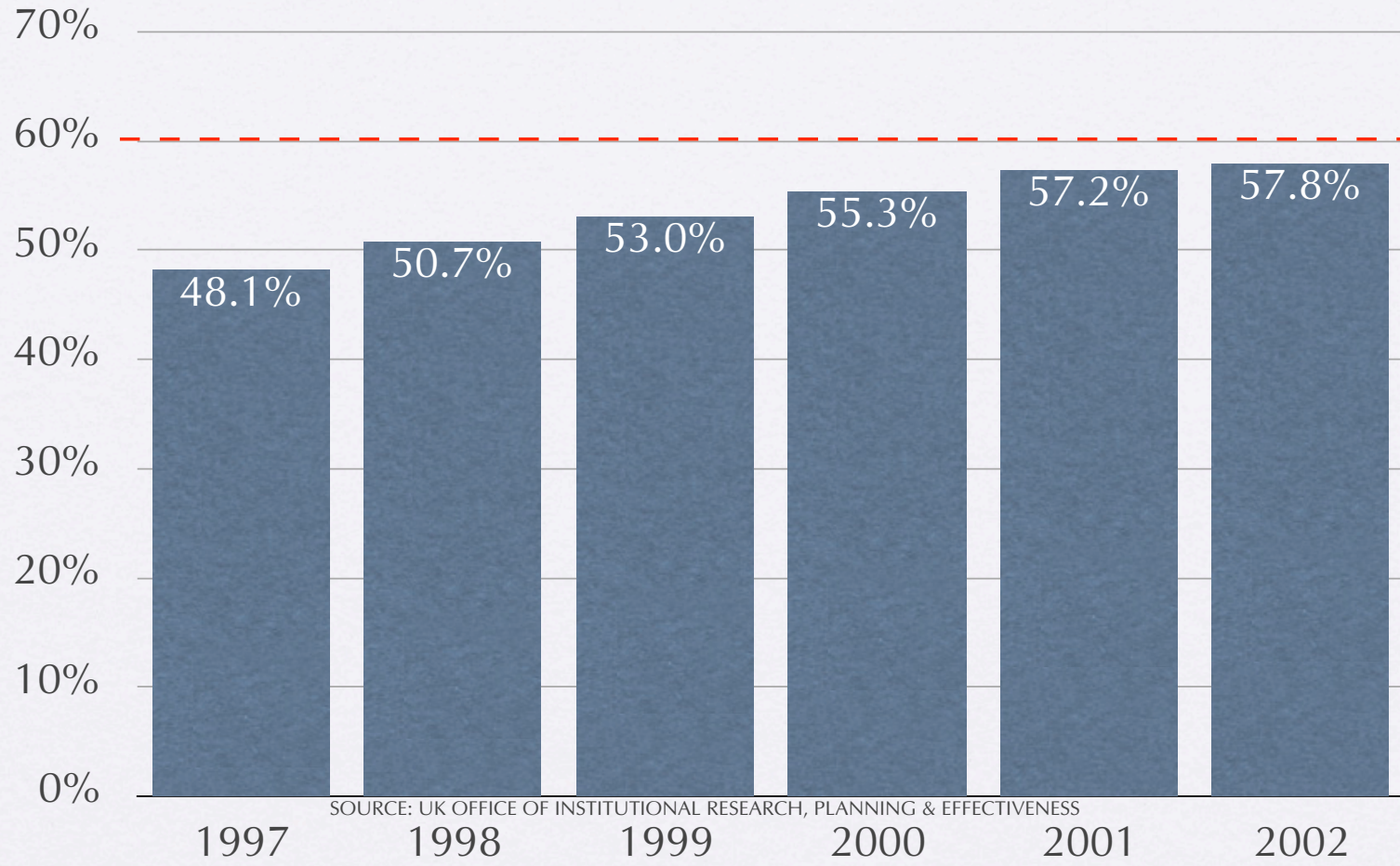
E. Exceed the predicted levels of attainment on indicators of quality undergraduate education, as reported by seniors on the National Survey of Student Engagement (NSSE).

F. Increase the six-year graduation rate to 60 percent.

Goal II: Attract and Graduate Outstanding Students

Key Indicator F: Increase the six-year graduation rate to 60 percent.

Six-year Graduation Rate



Goal III: Attract, Develop and Retain a Distinguished Faculty

OBJECTIVES

1. The University will offer competitive salaries and benefits to attract and retain distinguished faculty.
2. The University will offer competitive salaries and benefits to attract and retain superior staff.
3. The University will institute policies to attract and retain a distinguished faculty.
4. The University will strengthen support to faculty and staff.
5. The University will increase the recruitment and support of high-profile faculty capable of conducting influential scholarship and leading major scholarly initiatives.

Goal III Key Indicators:

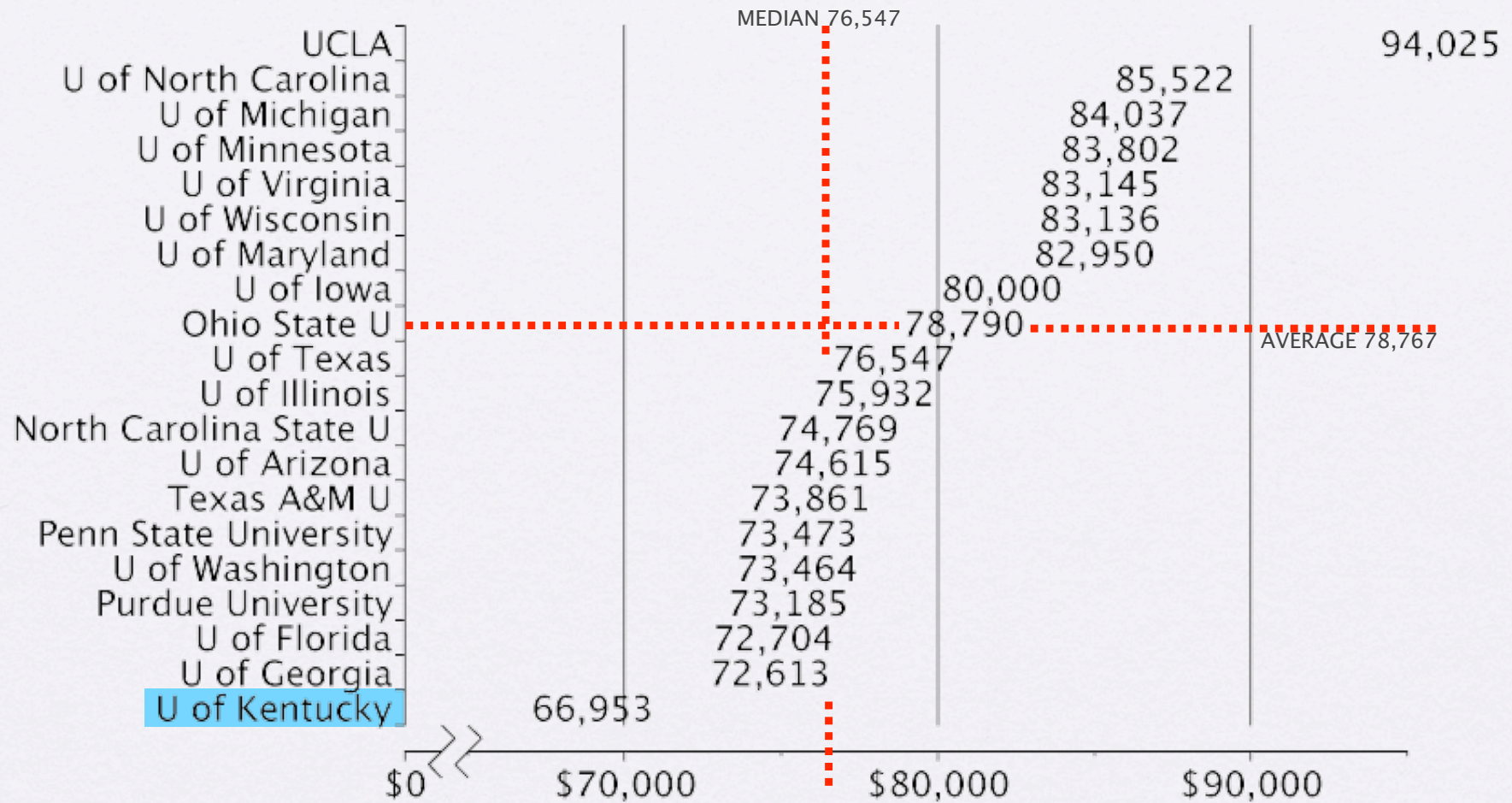
By 2006, we will:

- A. Increase the average faculty salary to at least 90 percent of the benchmark median.
- B. Develop institutional policies and procedures that promote recruitment and retention of faculty and staff.
- C. Increase by three the number of active or emeritus faculty with membership in the National Academy of Engineering, National Academy of Sciences, or the Institute of Medicine.
- D. Increase from 12 to 15 the number of nationally recognized awards and honors earned by faculty.

Goal III: Attract, Develop and Retain a Distinguished Faculty

Key Indicator A: Increase the average faculty salary to at least 90 percent of the benchmark median.

UK Benchmark Average Faculty Salary All-Ranks 2002-03



*Source: Integrated Postsecondary Education Data Systems (IPEDS) Survey of Instructional Faculty Salaries by Rank-Overall Chart: M.Denomme

Goal IV: Discover, Share and Apply New Knowledge

OBJECTIVES

1. The University will aggressively pursue targeted strategies to increase extramural research funding.
2. The University will provide the facilities and equipment necessary to enhance research capacity.
3. The University will cultivate the success of diverse efforts in scholarly achievement and research.
4. The University will attract and enroll highly qualified doctoral students and postdoctoral scholars.

Goal IV Key Indicators:

By 2006, we will:

A. Increase federal research expenditures, as reported in the National Science Foundation Survey of Research and Development Expenditures at Universities and Colleges, to at least \$140 million.

B. Secure authorization for an additional state-of-the-art research facility in support of the growth plan for research facilities as defined in the University's Physical Development Campus Plan.

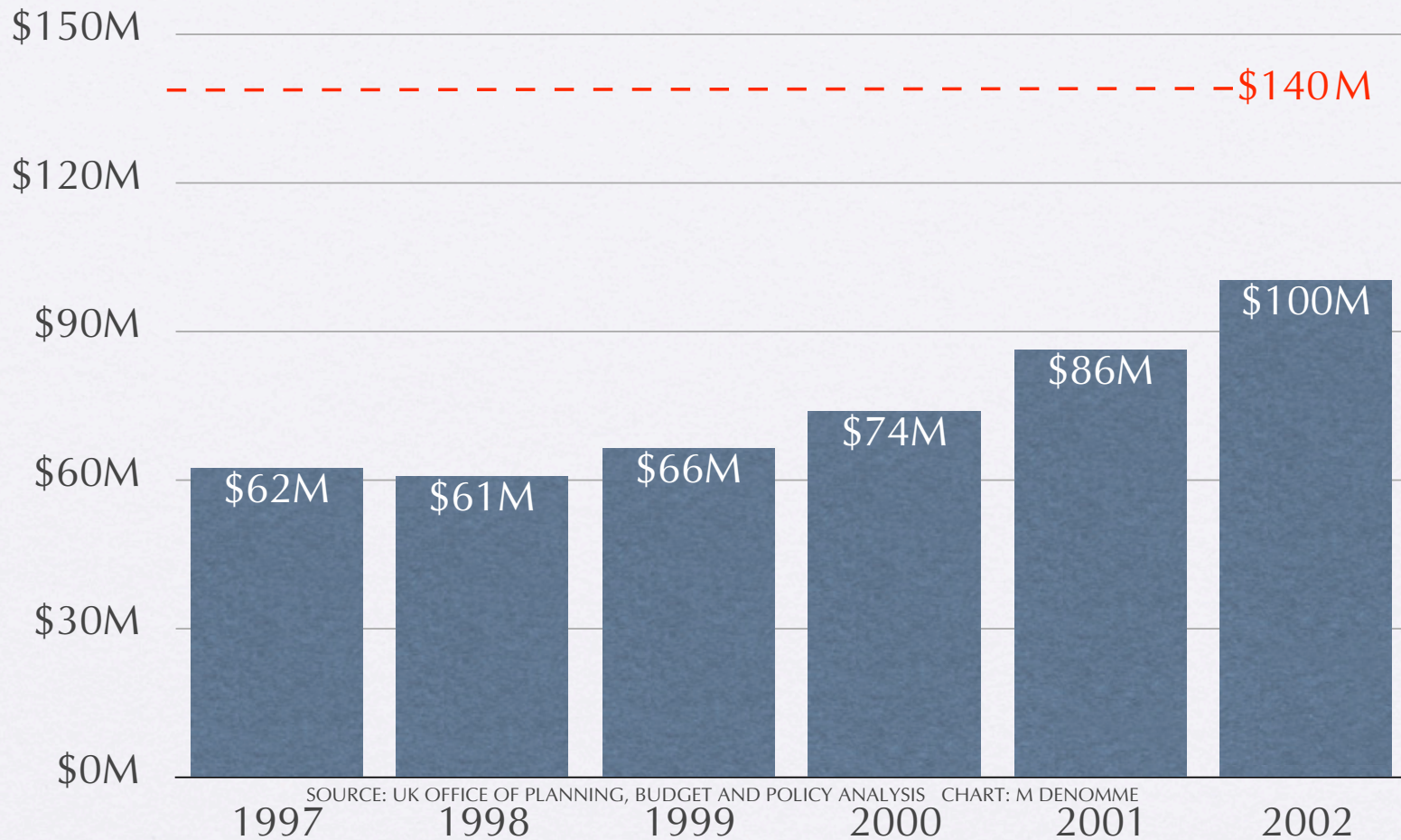
C. Increase doctoral degree enrollment from 2,154 to 2,350; and increase doctoral degree production from 216 to 250.

D. Increase postdoctoral scholars from 232 to 275.

Goal IV: Discover, Share and Apply New Knowledge

Key Indicator A: Increase federal research expenditures, as reported in the National Science Foundation Survey of Research and Development Expenditures at Universities and Colleges, to at least \$140 million.

Annual Federal Research Expenditures



Goal V: Nurture Diversity of Thought, Culture, Gender and Ethnicity

OBJECTIVES

1. The University will improve the climate for diversity.
2. The University will create a diverse workplace and learning community.

Goal V Key Indicator

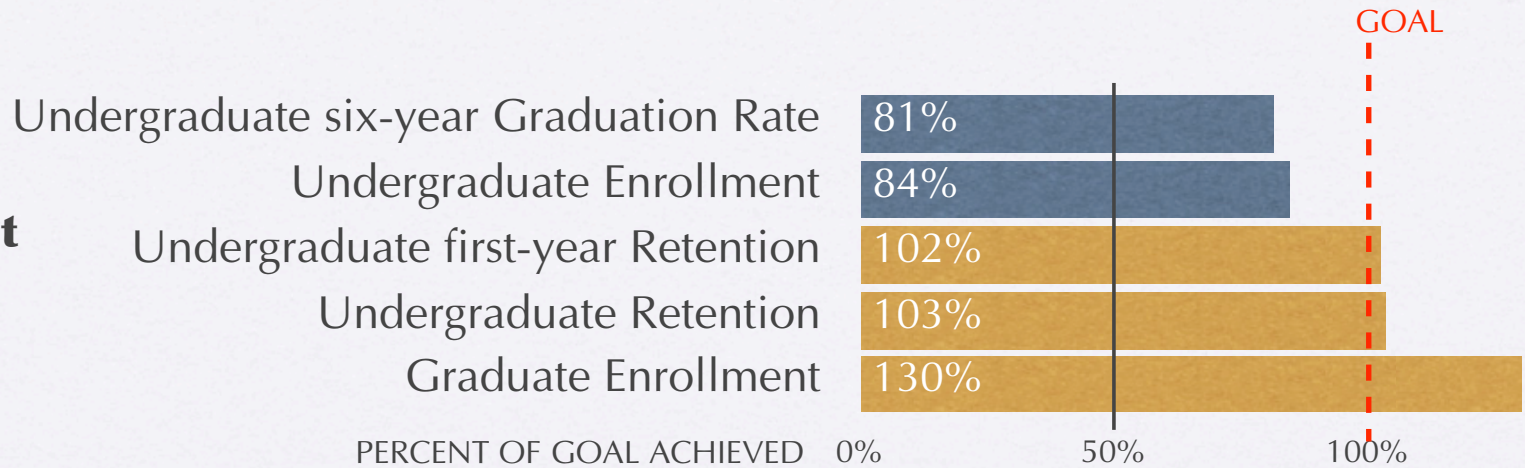
By 2006, we will:

Meet the enrollment and persistence goals of the Kentucky Plan for Equal Opportunities in Higher Education and the employment goals of the University Affirmative Action Plan.

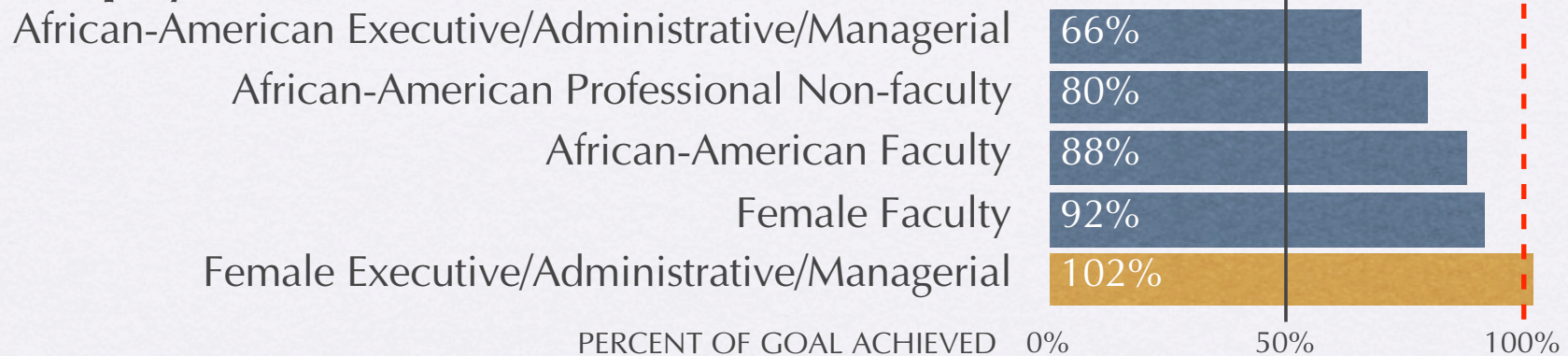
Goal V: Nurture Diversity of Thought, Culture, Gender and Ethnicity

Key Indicator: Meet the enrollment and persistence goals of the Kentucky Plan for Equal Opportunities in Higher Education and the employment goals of the University Affirmative Action Plan.

Resident African-American Enrollment (2001-02)



Employment (Fall 2002)



SOURCE: UK OFFICE OF EQUAL OPPORTUNITY CHART: M. DENOMME

Goal VI: Elevate the Quality of Life for Kentuckians

OBJECTIVES

1. The University will engage its people and resources in a renewed commitment to outreach.
2. The University will lead in the delivery of specialty care in select clinical areas.
3. The University will accelerate industry-funded research and partnerships, technology transfer, and business development to advance Kentucky's economy.
4. The University will expand utilization of its cooperative extension network to improve the quality of life for all Kentuckians.

Goal VI Key Indicators:

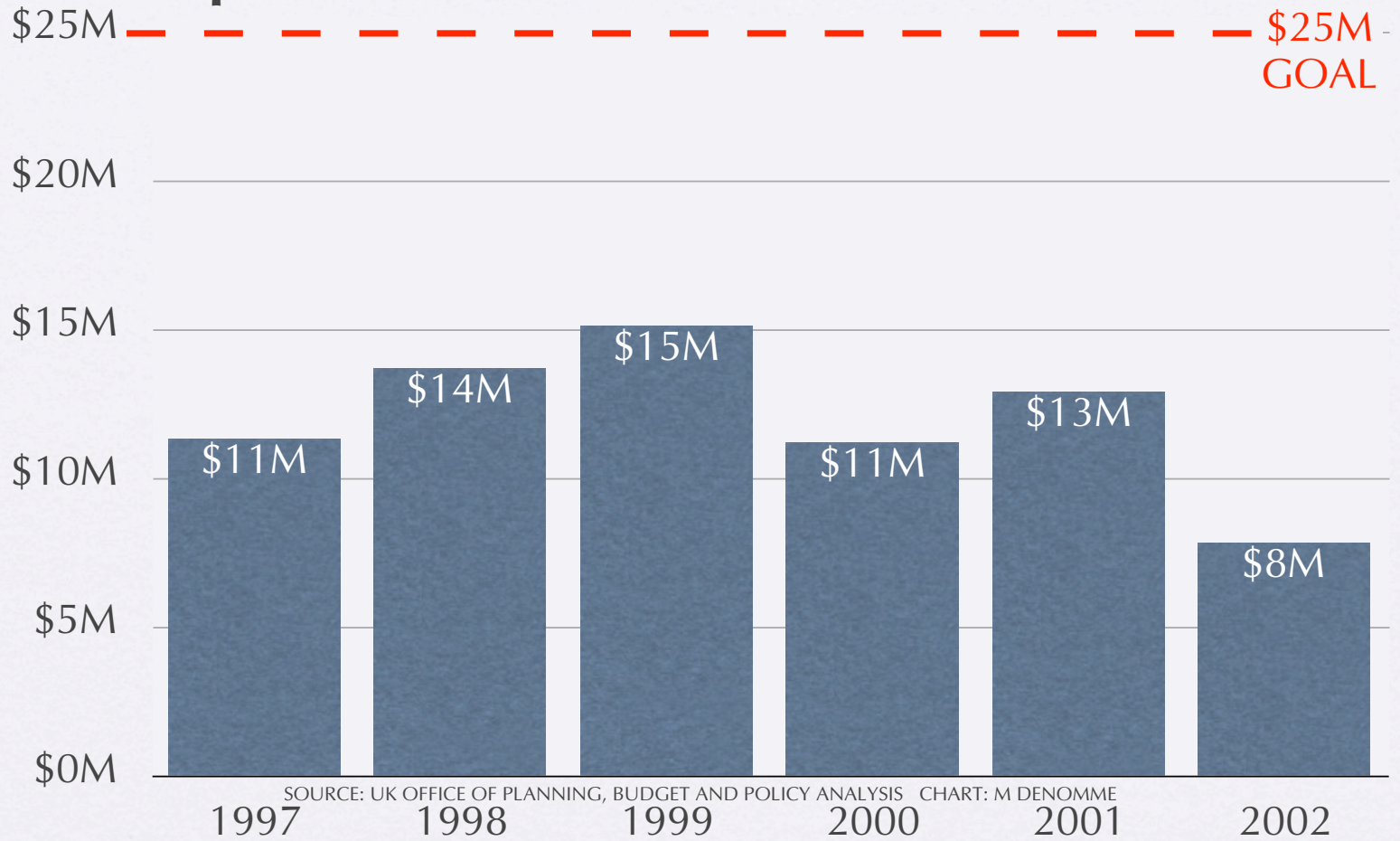
By 2006, we will:

- A. Develop and implement a plan for University engagement that integrates service into the curriculum and recognizes faculty engagement.
- B. Secure authorization and design a strategic clinical facility.
- C. Increase industry-funded research expenditures to \$25 million.
- D. Increase the number of patent applications by 10 percent.
- E. Increase the number of start-up companies to two per year.
- F. Increase public service expenditures, particularly extramural grant-supported expenditures, in areas critical to improving the lives of Kentuckians.

Goal VI: Elevate the Quality of Life for Kentuckians

Key Indicator D: Increase industry-funded research expenditures to \$25 million.

Industry-funded Research Expenditures



SOURCE: UK OFFICE OF PLANNING, BUDGET AND POLICY ANALYSIS CHART: M DENOMME

Resources and Infrastructure Needed to Reach Top 20

Enrollment growth

More faculty

Research space and facilities

Educational facilities – classrooms and residence halls

Support staff for additional faculty and students

Library support

Communications technology

Academic and administrative computing

Financial support for students

Research and teaching equipment

Compensation

The Dream & the Challenge



Information on these slides was prepared to support an oral presentation and cannot be considered complete without that discussion.



UNIVERSITY OF KENTUCKY



In conclusion, President Todd said that the administration is making some headway and feeling good about it. He recommended that the Board approve the Strategic Plan as a working document and a way to focus the resources for the University.

Mr. Reed thanked President Todd for his presentation and called for a motion to approve PR 10. Mr. Williams moved approval. Ms. Young seconded the motion, and it carried without dissent. (See PR 10 at the end of the Minutes).

Mr. Wilcoxson asked President Todd if there were seventeen more years for reaching Top Twenty status.

President Todd said that was the target set in House Bill 1. This is a three-year plan that illustrates how we march our way to that goal.

Mr. Wilcoxson said, "...you can do anything you want to if you've got the money to do it with." He then asked, "Do we have any idea of what we're projecting in the way of dollars to do all of these things?"

President Todd replied, "Not in total, Mr. Wilcoxson. The Legislature has not thought about a funding path. The Legislature can only commit money two years at a time. So, nobody has really looked at the total for that." He said that the university presidents have spoken about the fact that they need to amalgamate their numbers to say what they need to do in order to achieve the purposes that they have laid out for them because it is significant. He noted that there are a lot of higher education institutions in other states that are being treated worse than Kentucky institutions right now, meaning that they are getting cut more. He said that he quickly reminds people that Kentucky is a state that is being asked to catch up and pass a few people. It is not a state that is saying we will continue to do what we have been doing. House Bill 1 made a promise to the people of Kentucky that the University of Kentucky is going to accelerate research and college education, and we need to keep a focus on that.

It has been said that the University of Kentucky has been referred to as having the perfect storm brewing, but the perfect storm is the fact that a lot of legislators are feeling a very strong compulsion to support K through 12. We are here to keep the dream of KERA alive. The Legislature lives out there in the communities. They see the superintendents. They see their kids go to the schools, and they feel the every day pressure. Therefore, they are putting more money in and trying to protect K through 12 funding. What are they preparing them to do? They are preparing them to go to college to improve the college going rate or the postsecondary going rate. The perfect storm edge of that is that they are not investing in higher education across the nation. That has been cut back across the country as the revenues have fallen short. So, the perfect storm comes in. The year of 2009 very likely will have the largest high school graduating class ever in the history of the United States because the reflection of the baby boom. It will probably be the most minority content that they have ever had in a graduating class. They will be less prepared than what we may have had in the past. And so, there is a storm brewing. We need to make sure that we fund education. A second thing that

happened is that not only have they not thought about funding of the 80,000 students that they want in the postsecondary system, but in addition to that, the University has the third round of “Bucks for Brains” coming up, and the idea about facilities has not been coincidental with that. The University needs to have facilities if it is going to attract the people. The University needs to invest in the kind of facilities that will allow it to attract the kind of people and retain the kind of people that can help drive the research to a “Top 20” institution. Those two things are not thought through. With the legislative session meeting annually, there is no ten-year or twenty-year funding plan.

President Todd said that he wished the University had been able to have additional investment venture. The University could have passed more people on the road to success on this “Top 20” mission if it had additional funding this year. The cutbacks that the University faced are a bit of a challenge. He said that he is proud of the people at the University that kept their heads up, but a perfect example is the salary chart. We can meet our goal, and we think it is a bit of a stretch to get to the 90th percentile of the median, but we may still be last in our benchmarks because you cannot hold everybody else still. So, it is a challenge. It is unfortunate that the vision for education in Kentucky came about at the same time as the failure of the economy of the nation. And, we have not stepped up yet to replace the shortfall of revenues and that is something that we need to be talking about with both gubernatorial candidates and the next Legislative session.

President Todd said that they have to go out and find more money. Somebody said that the future of the State cannot generate enough money to really push UK to national prominence. It can help, and UK should get its fair share. What is going to push UK to national prominence is to find the funding, to find the grant support, to do the corporate deals, and to do the kind of things to find that extraordinary income to push UK forward both on a federal and state level.

Dr. Jones said he was glad to see that when the Board adopts this it will be adopting an expression of policy that is seeking to ease the transition of the new assistant professors into the system so they can get their programs launched and go after these extramural funds that President Todd is talking about, seeking their development and their retention. That is going to be very important. We invest a lot into new faculty for them to get their programs going that will help them return the money to the University. He said that he watched the PR 2’s very closely, and there are a number of tenures and promotions that show success in that area, but there are some terminal appointments in there where these efforts were not successful. When he looks back over the past, he sees some colleges are having more problems with that than others. Maybe there is a merger of two good policy weather patterns here. The University is adopting the Strategic Plan at the same time it’s going to a Provost system.

President Todd said that it is a lot cheaper for the University to keep its best faculty and retain them so that is an important piece. Dr. Baldwin is quite interested in cultivating young faculty members and getting the proposals out there to help build their

reputation and their career. It helps the University offset the costs, but it also helps the young faculty in the process of beginning their careers which is also important.

Mr. Reed said that there was a motion and second, and he called for a vote. The motion carried without dissent. (See PR 10 at the end of the Minutes.)

W. Operating Budget for Fiscal 2003-04 (FCR 1)

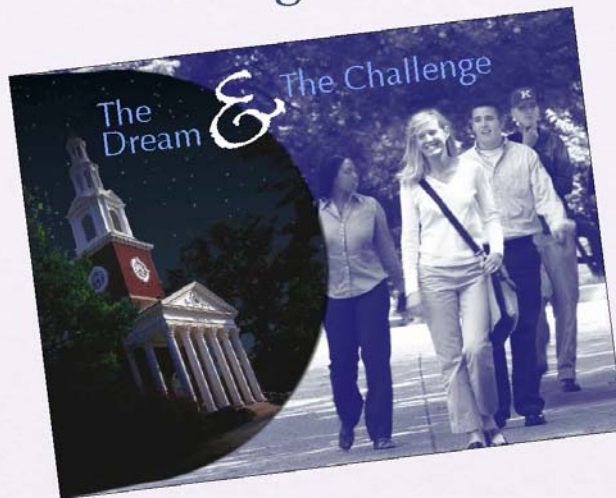
President Todd said that the Budget does reflect the Strategic Plan and pointed that out as he and Provost Nietzel went through the following series of slides.

2003-04 Operating Budget

UNIVERSITY OF KENTUCKY

1

The budget reflects the
Strategic Plan...



2

ting Budget 2003–04:

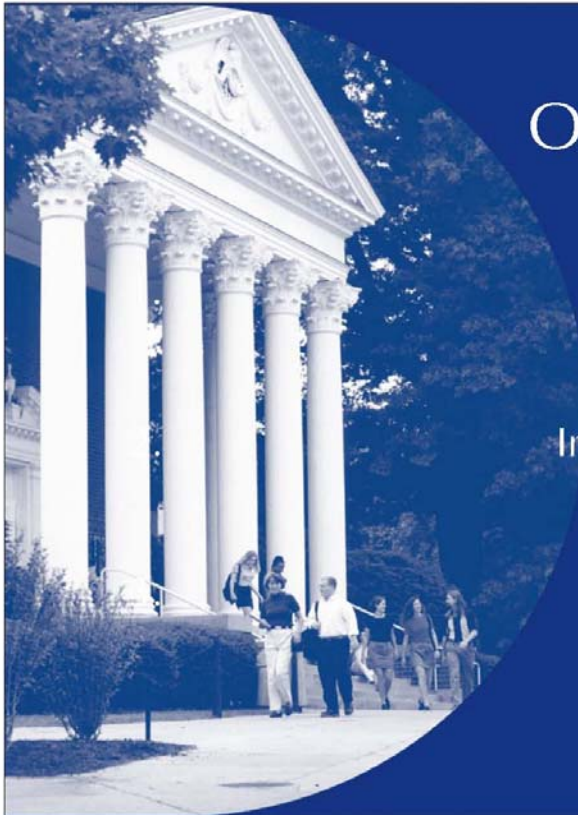
Fund a modest salary increase

health
nce cost increases to our

olarships to
students on both a need- and

Fund program improvements

3



One University

Implementation of
the Provost model

Integration of Medical
Center Operations

Athletic Support
of Academics

4

Current Budget Environment

- **Reduction in State Appropriations:**

FY 04 will be the third consecutive year of state appropriation reductions

- **Increasing Enrollments:**

student head count enrollment is up over 9 percent since Fall 2000

- **Internal Reallocations**

\$7.1 million in internal reallocations

- **Provost Model Reorganization/ Medical Center Integration:**

many support functions performed by the UK Chandler Medical Center were integrated with similar units in the rest of campus, and some units were eliminated. Cost savings: \$2 million

- 5 offices were eliminated
- 29 offices were merged
- 89 positions were eliminated

5

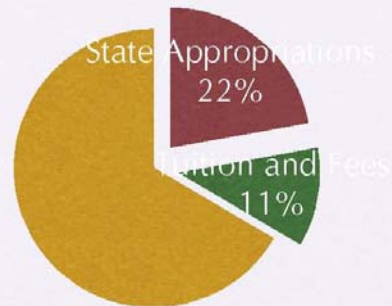
University of Kentucky 2003-04 Operating Budget Revenue Sources and Budget Objectives

Revenue Sources	University		LCC	
	Recurring	Nonrecurring	Recurring	Nonrecurring
State Appropriations	(4,869,000)		549,400	
Loss of Earnings from Investment Income	(3,049,800)			
Tuition	16,496,300		1,701,200	
Reallocation & Provost Model Savings	9,107,900			
Service Assessment Increase	1,950,000		(685,000)	
Nonrecurring Funds		3,210,700		83,800
TOTAL REVENUE SOURCES	19,635,400	3,210,700	1,565,600	83,800
Uses of Funds	Recurring	Nonrecurring	Recurring	Nonrecurring
Salary/Wages	9,411,200		408,500	
Health Insurance	2,535,500		94,900	
Program Improvements	4,070,400	2,210,700	1,052,700	
Scholarships	3,618,300	1,000,000	9,500	83,800
TOTAL USES OF FUNDS	19,635,400	3,210,700	1,565,600	83,800

6

Fiscal Year 2004 Revenues

	MILLIONS
State Appropriations	\$308.5
Tuition and Fees	157.3
Hospital	319.0
Gifts, Grants and Contracts	107.4
Other	127.3
Restricted Funds	112.1
Affiliated Corporations	260.0
TOTAL	\$1,391.6



7

FY 2004 Expenses by Natural Category

Total Budget: \$1.392 Billion

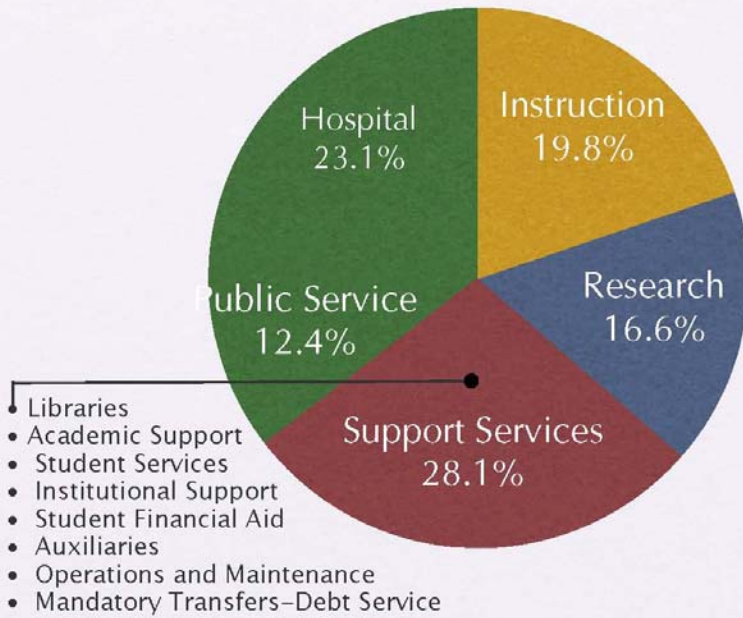
	MILLIONS
Personnel	\$792.2
Operating Expenses	524.6
Capital Outlay	46.7
Mandatory Transfers Debt Services	28.1
TOTAL	\$1,391.6



8

FY 2004 Expenses by Function

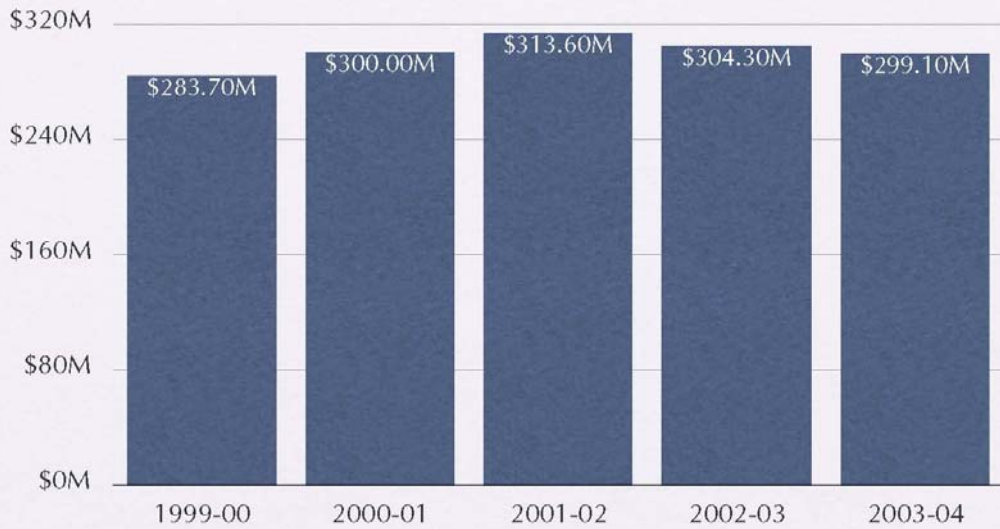
Total Budget: \$1.392 Billion



9

State Appropriations: University

IN MILLIONS



SOURCE: UK PLANNING BUDGET AND ANALYSIS OFFICE CHART. M DENOMME

10

Total State Appropriation Cuts

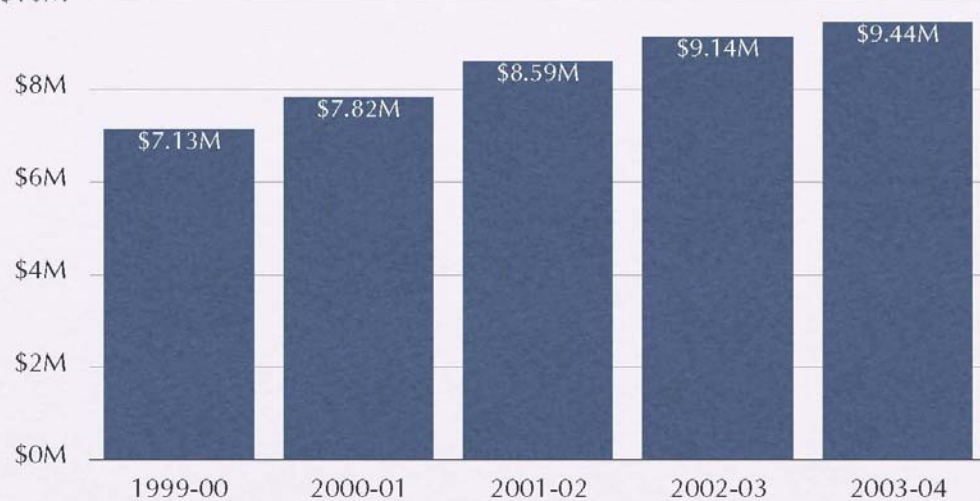
FY:	2001-02	2002-03	2003-04	Total
	(\$6.0)	(\$6.0)	(\$6.0)	
		(8.6)	(8.6)	
			3.7	
Total	(\$6.0)	(\$14.6)	(\$10.9)	(\$31.5)

in millions

11

State Appropriations: Lexington Community College

\$10M IN MILLIONS



SOURCE: UK PLANNING BUDGET AND ANALYSIS OFFICE CHART. M DENOMME

12

We have identified \$24 million to fund our budget decision package.

This was done through aggressive internal reallocation and increased tuition revenues.



13

Budget Highlights

- Salary enhancements: \$9.8 million
- Cost increase of the Employee Health Insurance Program: \$2.6 million
- Scholarship increases: \$4.7 million
- \$1 million for renovating and equipping classrooms
- \$499,300 to enhance information technology services
- \$390,000 to improve the lighting at Guignol Theatre
- \$390,000 to improve the HVAC in the Reynolds Building No. 1
- \$476,300 for maintenance and operation of new facilities coming online, including the Gill Building and the Center for Rural Health
- \$2.2 million towards the replacement of the administrative computing systems: finance, human resources, and student information systems

14

Provost Budget Highlights

Over \$5.5 million of recurring and nonrecurring funds are budgeted for the strategic investment in high-priority academic and research programs

- Over \$550,000 will be invested in initiatives that support:
 - School of Music;
 - plant bioengineering in the College of Agriculture;
 - risk-related behavior in the colleges of Medicine, Arts and Sciences, and Communications and Information Studies;
 - race, ethnicity, and civic identities in the College of Arts and Sciences;
 - organic chemistry; genomics (Biology); and
 - foreign language education for the College of Arts and Sciences and the College of Education.
- \$500,000 to support a call for proposals for the Medical Center colleges to advance the Futures priority areas.
- Over \$1 million to the Lexington Community College to support increased enrollments including part-time instructors and faculty and staff positions.

continued:

15

Provost Budget Highlights

Over \$5.5 million of recurring and nonrecurring funds are budgeted for the strategic investment in high-priority academic and research programs

- \$100,000 Quality Enhancement Program to invest in program improvements identified through periodic reviews
- \$300,000 to offset inflationary materials costs in University Libraries
- \$1.3 million of tuition revenue generated from rate increases will be invested in professional programs.
- \$670,000 for graduate student support
- \$460,000 for academic leadership and a student retention and extramural funding incentive program
- \$700,000 for strategic investments in the colleges of Law, Dentistry, Design, and Pharmacy, and the School of Public Health

16

The Dream and the Challenge

The FY 2003-04 Budget recommended for approval has been a challenging task.

This budget reflects our Strategic Plan—we have focused on faculty, staff, students and high-priority academic programs.

Given the state budget picture, we will not make the progress we had hoped for, but neither will we stand still.

17



18

In conclusion, President Todd said that the University will not make the progress that they would like to make, but it will not stand still at the same time. It is the administration's purpose to continue to move the University forward. He said that he appreciated the Board's support of the budget.

Dr. Stumbo, acting as Chair of the Finance Committee in Mr. Chellgren's absence, moved approval of FCR 1. Mr. Wilcoxson seconded the motion, and it carried without dissent. (See FCR 1 at the end of the Minutes.)

X. Approval of Leases (FCR 2)

Dr. Stumbo said that FCR 2 is approval of two leases. These are renewals and standard releases. The leases were discussed in detail in the Finance Committee meeting. He moved the approval of FCR 2. Ms. Smith Edge seconded the motion, and it carried without dissent. (See FCR 2 at the end of the Minutes.)

Y. Report of Leases (FCR 3)

Dr. Stumbo said that FCR 3 is the Report of Leases. It does not require any Board action. It is a report of renewal of three leases with the University of Kentucky. Two of the leases are with the Agronomy Department and one with Rural Health with the Allen County Board of Education. These leases are standard, and FCR 3 is to report on them. (See FCR 3 at the end of the meeting.)

Z. Acquisition of Property (FCR 4)

Dr. Stumbo said that FCR 4 is Acquisition of Property. This involves some property in Henderson, Kentucky. The Kentucky Geological Survey is a part of the University. It has been in the building for about thirty years. They are proposing to move to a new building. This new building had two different appraisals valued at \$262,500.00. The University has been able to buy this property for \$245,000.00. The staff has recommended, and the Finance Committee recommends the purchase of this property for the Geological Survey. Ms. Wickliffe seconded the motion, and it carried without dissent. (See FCR 4 at the end of the Minutes.)

AA. Disposal of Personal Property (FCR 5)

Dr. Stumbo said that each year the Finance Committee has to deal with the disposal of personal property. The University from time to time has animals, tractors, vehicles, books, and other things that they dispose of. The Board adopted policies and regulations on August 16, 1994 that outline the process by which the University can do this. This complies with the Kentucky Revised Statutes as well as the regulations. The Finance Committee recommends approval of FCR 5. Ms. Wilson seconded the motion, and it carried without dissent. (See FCR 5 at the end of the Minutes.)

BB. William T. Young Pledge (FCR 6)

Dr. Stumbo said that FCR 6 is a pledge by Mr. Young who is well known to everyone at the University. He is a long-time supporter of the University. FCR 6 is a pledge of \$500,000 from Mr. Young to go towards the restoration of the Administrative Building. Once the restoration is complete, it will be known as the Main Building. This was discussed in the Finance Committee, and the Committee voted to accept this pledge. Ms. Tobin seconded the motion, and it carried without dissent. (See FCR 6 at the end of the Minutes.)

CC. Warren W. Rosenthal Pledge (FCR 7)

Dr. Stumbo said that FCR 7 is a pledge from Warren Rosenthal, another long-time supporter of the University. Mr. Rosenthal pledged \$300,000 towards the restoration of the Administration Building. The comments are similar to the William T. Young pledge. The Finance Committee recommends that the Board accept FCR 7. Ms. Smith Edge seconded the motion, and it carried without dissent. (See FCR 7 at the end of the Minutes.)

DD. James F. Hardymon Pledge (FCR 8)

Dr. Stumbo said that FCR 8 is a pledge from James Hardymon, former Board member and soon-to-be a new Board member coming back on the Board. Mr. Hardymon pledged \$280,000 towards the restoration of the Administration Building. The Finance Committee recommends the Board's approval of FCR 8. Professor Kennedy seconded the motion, and it carried without dissent. (See FCR 8 at the end of the Minutes.)

EE. A Resolution of the Board of Trustees of the University of Kentucky Authorizing the Issuance of Approximately \$52,830,000 of University of Kentucky Housing and Dining System Revenue Bonds, Series S, to be Dated the first Day of the Month in which Sold; Authorizing Proper Proceedings Relative to the Public Sale of the Bonds and the Disposition of the Proceeds Thereof; Authorizing Execution of an Eleventh Supplemental Trust Indenture Between the Board and Farmers Bank & Capital Trust Company, Frankfort, Kentucky, as Trustee, in Compliance with the Provisions of the Trust Indenture Dated June 1, 1965 (FCR 9)

Dr. Stumbo said that FCR 9 is a resolution to provide the financing for construction of the new housing. Four new dorms are being planned -- three on the south side of campus and one on the north side. He asked Mr. Owen to simplify FCR 9.

Mr. Owen said that FCR 9 is an authorizing resolution to issue Consolidated Housing and Dining System bonds that finance the housing project that was approved last month by the Board of Trustees. They expect to sell the bonds approximately mid-August and deliver in September. The funds will be in hand to proceed with construction of the housing.

Dr. Stumbo said that the Finance Committee recommends approval of FCR 9. Ms. Wilson seconded the motion, and it carried without dissent. (See FCR 9 at the end of the Minutes.)

FF. A Resolution of the Board of Trustees of the University of Kentucky Autahorizing the Issuance of approximately \$29,655,000 of University of Kentucky Consolidated Educational Buildings Revenue Bonds, Series S, to be Dated the First Day of the Month in which the Bonds are Sold (FCR 10)

Dr. Stumbo said that FCR 10 is a similar proposal except it involves funding for the Biomedical Sciences Research Building (BBSRB). The total cost of this building is about \$73.6 million. The State of Kentucky sold about \$35 million worth of bonds and started the financing. This proposal is \$29,655,000. The difference if you add the \$35 million and \$29 million does not add up to \$73 million. There were some internal funds from the University that made the difference. He called upon Mr. Owen to make a few comments on this.

Mr. Owen said that the only comment is that this resolution is similar to the one just previously approved, and it gives the University authorization to sell bonds to complete the financing on the BBSRB Building that is currently under construction.

Dr. Stumbo said that the Finance Committee recommends approval by the full Board of FCR 10. Ms. Smith Edge seconded the motion, and it carried without dissent. (See FCR 10 at the end of the Minutes.)

GG. Approval of Lease (FCR 11)

Dr. Stumbo said that FCR 11 is a little different from the Report of Leases approved earlier. There has been some question as to whether the Board even needs to make a recommendation, but President Todd would feel more comfortable if the Board approved this.

FCR 11 is essentially a lease between the University of Kentucky and the Kentucky Technology Inc. group to get some space in the Kentucky Tobacco Research and Development Center. The proposal is for the University of Kentucky to lease it to Kentucky Technology, Inc. (KTI), and they would then try to find an entrepreneur or businesses to sublease. If this space is fully leased and utilized as expected, the University would stand to gain \$23,984.40 in lease payments. This is a proposal. It was discussed in a little more detail at the Finance Committee. The Committee recommends authorizing the University to go ahead and do this. It will help business development, and it will be some income for the University of Kentucky. The space is there. He said that the Finance Committee recommends approval of FCR 11. Ms. Sims seconded the motion, and it carried without dissent. (See FCR 11 at the end of the Minutes.)

HH. Other Business

Mr. Wilcoxson said that he would like to go back to his presentation on page 18 of the May 6th Minutes. The second paragraph where it says, "The \$43 million still places UK with the seventh largest budget in the SEC. Compared to Florida, it is something like \$80 million. It was brought to the Board's attention that approximately 23.6% of the \$43 million is athletic expenses to the University." Mr. Wilcoxson said that he would like the wording on the last sentence to read, "It was brought to the Board's attention that approximately 23.6% of the \$43 million in Athletic expenses is spent internally at the University." This is what it should say. It was probably transcribed wrong. This makes it a lot plainer.

Mr. Reed said, "alright," and President Todd said, "Change it."

On motion made by Ms. May, seconded by Ms. Wilson and carried without dissent, a motion was passed to amend the Minutes.

Mr. Reed said that there were a few other items to go over. First and foremost, this is the end of the fiscal year, and that brings a time to have the evaluation of the President. The evaluation process is something of a relatively recent vintage and how the Board does it. The Board has changed the process to provide for more transparency as opposed in the past. The Governing Regulations provide for the Executive Committee to evaluate the President. Those regulations also direct that the Executive Committee seek input from the University's Senate, Staff Senate and Student Government Association. Mr. Reed said that he took the liberty to welcome input from the Trustees. He reported that he received input from Trustees, some of which has been recent, and some of which has been during the year. This has been a new process. And as such, it is not perfect, but at the same time, the Executive Committee received that feedback and input. He reported that the Executive Committee met earlier and went over that input. The Committee had an interesting and candid meeting. The members present were Ms. Marianne Smith Edge, Dr. Robert Meriwether, Mr. Williams as an ex officio member, and himself. He said that they discussed not only the evaluation of the President as called for in the Governing Regulations but also the President's receipt of his eligibility for the \$100,000 bonus. As you may recall, his contract says the President is eligible to be considered for a \$100,000 bonus annually. It does not say that he will get it. It does not say - have much more detail as to the circumstances surrounding that consideration. Again, to make that broader, he said that he had the Executive Committee examine that while looking at the President's evaluation. They went hand in glove. There was a lot of overlapping, but there were some differences. The Executive Committee did meet, and the Executive Committee recommended through a motion for the approval and granting of the President's bonus.

Mr. Reed said that he would summarize the meeting for those who were not there. Based on the feedback he received from the students, the staff, the faculty, Trustees and a few others, who by the way may have called him from time to time, the strengths of the President are as follows:

Unprecedented accessibility; extraordinary character; strong work ethic; a passion for students in the Commonwealth; innovative ideas; directed the Athletic Department to donate \$1 million annually for scholarships; skillful handling of the budget crisis to ease the pain for all, including the faculty; shown great courage in his willingness to reorganize the Medical Center and make UK one University, including implementation of the Provost system; and he also has continued the reform of the Athletics Department pursuant to the Lawson Report.

Mr. Reed said that one thing that the Board does not talk about much is the continued success of the Capital Campaign. Any time that you have a Capital Campaign and you succeed, that is great. But during these economic times, it is extraordinary. It is also noted that the continuing ability of President Todd and the First Lady, too, to make themselves available to students is very impressive and noted. Mr. Reed said that he made it clear to the faculty, staff and students that he came to Lexington because this is the first time the Board has done this process, and there is not a guidebook that the Board necessarily adopted to be followed. The process was real broad in the sense that they gave him the President's strengths. He explained that they made it as democratic as possible. The chairs of the University and Staff Senates and the President of the Student Government Association met with as many of their constituents as possible and gave him the President's strengths and his weaknesses.

Mr. Reed said that they were candid, and they gave him some areas for improvement. The areas for improvement seem to be consistent, and that is responsiveness and follow-through. This was stated by the faculty, staff and students and noted by some Trustees. To put that in context, everyone also noted that the President hired a Chief of Staff that has aided his responsiveness. They noted that he is still rounding out his staff to make it complete. With the support he is putting into place, this area for improvement will improve.

Mr. Reed said that President Todd is extremely intense, and he has encouraged him to take some time and enjoy some vacations for his own mental and physical health. When you care for something as much as President Todd does and you are committed to it as much as he is, you want it done perfectly. You want to do it all yourself to make sure it is done perfectly. That is a strength of his, but at the same time, the Board has asked him to delegate a little more and take care of himself.

Mr. Reed returned to the Presidential bonus that is provided in the President's contract. It was the recommendation of the Executive Committee for the Board to grant President Todd his bonus of \$100,000 for the fiscal year ending in less than a week. There was some confusion or discussion brought up in the Compensation Committee, which had met earlier in the day, about the issue of the bonus and whether there was an overlap. Mr. Reed called upon Mr. Shoop, Chairman of the Committee, and asked him to discuss his meeting and clarify any misunderstanding or confusion regarding the \$100,000 bonus which is for the year ending.

Mr. Shoop said that he strongly supported what Mr. Reed had said. The Executive Committee did a great job in giving the President an outstanding performance rating.

Mr. Shoop reported that the Ad Hoc Committee on Compensation had met that morning. There were three Committee members present, but there was actually a quorum of the Board present. This shows the importance of what this subject means to the Board. The Committee was charged with the compensation for the President. The Committee is working on formulating a new compensation package for the President on a go forward agenda. In the next couple of months, the Committee will have this charge taken care of, and the bonus will be effective for 2003 ending this year June 30th. He said that they hope to make it retroactive, and starting July 1st it will be for next year. The bonus discussed at this meeting will be for this year ending June 30th, and it is in compliance with the contract that the Board signed with the President two years ago. He said that he strongly supported it as Chairman of the Compensation Committee. He took Mr. Reed's recommendation and put it into a motion that the Board grant the President the \$100,000 bonus effective for the end of this year which is June 30th, 2003.

Mr. Reed said the the Executive Committee has already moved approval and Mr. Shoop has seconded the motion. He called for questions and then took a vote. The motion carried without dissent.

Mr. Reed recognized some Board members who have made extraordinary contributions to the State and to the University who will be finishing their terms June 30th: Joe Ruschell, Paul Chellgren, and Dr. Stumbo. He called upon the various Board members to make comments about each of them.

Professor Kennedy read the following resolution regarding Joe Ruschell.

Resolution

Whereas, Mr. Joe Ruschell has faithfully served as the student representative to the University of Kentucky Board of Trustees, and

Whereas, Mr. Ruschell assumed his position in the midst of a financial crisis, and

Whereas, Mr. Ruschell aggressively and effectively represented the interests of the student body in the Board's discussions of a significant increase in tuition, and

Whereas, Mr. Ruschell's influence impacted the amount of the fee increase, and

Whereas, Mr. Ruschell's all too brief term comes to an end on June 30, 2003.

Be it therefore resolved by the University of Kentucky Board of Trustees that we express our sincere appreciation to Mr. Ruschell for his exemplary service and wish him continued success in his splendid academic career and beyond.

Mr. Williams read the following resolution regarding Mr. Chellgren:

Resolution

Whereas, Mr. Paul W. Chellgren has been a strong supporter of the University of Kentucky as an alumnus, Trustee and friend and has been an ardent advocate for education in his many years of public service, and

Whereas, his experience and insight into financial and budgetary matters have served the University with excellence in his role as Chair of the Finance Committee, along with a myriad of other committees, and

Whereas, he has returned once again to his educational roots to gift us with his commendable wisdom and talents, and

Whereas, Mr. Chellgren's more than a decade of service to his alma mater as a Trustee has been exemplary.

Be it therefore resolved by the University of Kentucky Board of Trustees that we express our sincere appreciation to Mr. Chellgren for his many years of unselfish service.

Mr. Reed called upon Ms. May to read the resolution regarding Dr. Stumbo.

Ms. May said that she wanted to share what most of the Board around the table feel and that is: "It is a tremendous honor to be selected to be a Trustee of this incredible institution but with it comes a tremendous responsibility. And for those of us that are outside the academic environment, it's a responsibility that requires many, many hours of getting up to speed on issues, of attending meetings and just learning the whole framework. I don't think there's been any question that you have dedicated yourself, in spite of your career and the many commitments you have, to bring your best resources to this University. I appreciate, as a Board member, that I came on while you were here, the guidance that you provided to me and to others. I appreciate you being there asking the questions, pointing us in the right direction, you know, keeping us focused at times. And we all, I think, very much appreciate that above and beyond the Resolution because it means a lot to us that you've been here and you've brought a very important perspective to this Board and for that I personally want to thank you as well as I'm sure the other Trustees."

Ms. May read the following resolution regarding Dr. Stumbo:

Resolution

Whereas, Dr. Grady Stumbo has served as a Trustee of the University of Kentucky since 1997, and

Whereas, his support and encouragement of the development of the Center for Rural Health has assisted it in becoming a national model for the education of health care professionals and the delivery of health care to underserved citizens of Eastern Kentucky, and

Whereas, as a true son of the mountains, Dr. Stumbo's passion for the people of the Commonwealth brought a special and important perspective to the Board's deliberations, and

Whereas, Dr. Stumbo will leave a legacy of compassion and concern for the issues that continue to face the citizens of Kentucky.

Be it therefore resolved by the University of Kentucky Board of Trustees that we express our sincere appreciation to Dr. Stumbo for his years of exemplary service.

Dr. Stumbo said that he has enjoyed being at the University and meeting all of the Board members. This has been a wonderful experience in his life, but he can leave the Board because of a conflict of interest. The Board cannot imagine how proud as a father of that conflict to know that his daughter graduated with distinction from the University of Kentucky Medical School and has chosen to stay at UK and finish her residency. He said that he is leaving with a great big smile on his face. He said that it is a wonderful reason to have to leave the Board, and he thanks all of them.

Mr. Reed pointed out that congratulations are in order to Marianne Smith Edge who has been elected President of the American Dietetic Association.

Mr. Reed said that on behalf of the entire Board he wanted to offer words of support to Peggy Way who lost her father recently and is absent from the meeting. Everybody knows that Peggy Way is family. To not see her smiling face at the Board meeting and have her whispering in his ear things that he may have forgotten to say may make him appear a little nervous. He asked that the record show that his heart is with her, and he knows the heart of the entire Board is with her. He said that he wanted Peggy to know that the Board loves her very much, it supports her, and they certainly miss her. She is in their prayers.

One final note of a bit of humor is that the Board should know that Billy Joe Miles recently was getting tractor driving lessons, and he passed. He said he was very proud of Billy Joe.

Ms. Tobin said that several Board members feel that the Board would like to have a retreat or some meeting between now and September 1st and the Board needs to find a date within the next two months to maybe spend a day together just to brainstorm and to create an agenda that it feels would be helpful in going forward.

Mr. Reed asked Ms. Tobin to work with the secretary, Mr. Williams, in getting schedules and finding a date as well as making suggestions regarding the form, location, and whether an entire day or night before and then the next day would be best.

Ms. Tobin agreed to accept the assignment.

Professor Jones said that he would be remiss on his constituency if he did not reiterate the urgency of what both President Todd and Chairman Reed have pointed out on the salary situation of the faculty. Their status with the benchmarks is dead last. They are biting the bullet real hard, and they know they are biting the bullet real hard. By adopting the Strategic Plan, the Board has charged itself and the administration over the next year to try to ease some of that pain that they are doing in biting that bullet. He thanked President Todd and Chairman Reed.

Mr. Williams said that he would be remiss if he did not help everybody realize that one week from today will be President Todd's second year in office. He said that he knows that President and Mrs. Todd feel that there are days they have fifty hours in them and days when it speeds by. For him, it has been a very quick two years and a very wonderful two years. He congratulated the President and First Lady on their second anniversary.

President Todd expressed appreciation, and said they were glad to be at the University.

II. Meeting adjourned

With no further business to come before the Board, Mr. Reed adjourned the meeting at 4:00 p.m.

Respectfully submitted,

Russ Williams
Secretary, Board of Trustees

(PR 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, and 15; FCR 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, and 11 which follow are official parts of the Minutes of the meeting.)