

4 November 2002
COSFL REPORT
To The ECU Faculty Senate

COSFL met with the CPE Interim President and senior staff members on 16 October 2002 in Frankfort. CPE staff presenting information were Sue Hodges Moore, Interim President; Jim Applegate, Vice President for Academic Affairs; Bill Swinford, Senior Associate, Public Affairs; Sherron Jackson, Acting Vice President Finance and Senior Associate, EEO and Finance; Ron Carson, Senior Fellow for Policy Development.

The first issue addressed was the **budget**. The performance of the state's economy is not moving forward as quickly as forecast when the state budget was developed in 2001. The state is still operating without a state budget that failed to be approved at the close of the general assembly or special session. Next FY is in limbo. Q1 of this FY saw some movement in the economy. The Governor's Consensus Revenue Forecast Group is looking at revenue growth to project any shortfall. Around the first week in November they will look at preliminary bases for new projections. Later in November, they will develop revenue estimates for the Governor and determine if a revenue shortfall exists.

The Governor hopes to continue to hold education (relatively) harmless. But, if that happens, it means a reduction in the rest of state government spending and programs. K-12 and post-secondary education comprise about 60-65 percent of the budget. If education is held harmless, the rest of government will be hurt disproportionately. In order for the budget to be balanced, the year's revenue projection of 5.8 percent must be met. Growth in state revenues for Q1 was about 4.2 percent. This means revenues must grow 6.3 percent in the next nine months to achieve the 5.8 percent forecast. The recently completed tax amnesty program distorted revenue receipts. It was a one-time revenue stream that won't reappear in revenue going forward. The Consensus Forecast Group can do any of the following: increase, decrease, or maintain the 5.8 percent growth rate forecast. By law, a budget reduction plan kicks in if receipts are below that amount. So, the question is, since there is no state budget, what happens next? Options include the Governor reducing the "acting" budget or calling a special session or waiting for the general assembly to reduce the budget. State reserves are exhausted, which includes the budget reserve fund of \$280 million. The state must begin looking to the revenue side to offset shortfalls. Kentucky is expected to lag the national recovery by twelve to twenty-four months. The state faces a short-term budget shortfall but the long-term revenue issue going forward is more troubling. A major

reconsideration of the state's tax structure is needed . We are taxing too much those items that are not growing and not taxing activities that are.

The next issue was **health care and health insurance**. Medicaid is a big problem facing the state worker's health plan. One alternative being discussed among legislators is requiring comprehensive universities, cities, and counties to join the state system or take their retirees out of the state system. House Bill 846 was introduced last term on this issue. This is an all-or-nothing approach. The LRC has done an actuarial study of the issue and their report will be circulated. This should be a campus priority discussion at each comprehensive university. UK and U of L are exempt. The COSFL Chair noted that this is a disaster in the making. Costs are continually rising and lower paid employees are suffering disproportionately.

Next, a **report card on Kentucky's Postsecondary Reform** was circulated that indicated educational reform is working. The report highlighted growing enrollments at comprehensive universities, LCC, and community and technical colleges. In a national review conducted by the National Center for Public Policy and Higher Education, Kentucky's report card showed improvement in participation, completion, benefits; slight declines in preparation and affordability. Learning assessment is under development and at this time, is incomplete for all states. The report card shows Kentucky still has far to go and other states are moving faster than Kentucky.

Concern was expressed about the number of bright students leaving the state. It was pointed out that the brain drain is not as great for Kentucky as it is for other states. Indiana has a much more serious problem than Kentucky. Around 75 percent of Kentucky's college graduates are still in the state five years after graduation. About 30 percent of Governor's Scholars go out of state for their higher education.

The question was asked, "Will the financial situation put more pressure on small programs to justify themselves?" In CPE's productivity review, over 400 programs statewide were modified, consolidated, or eliminated in a four-year period. During the same period, only about 60-70 new programs were approved. The Program Productivity Review includes campus consultation visits where CPE staff visited all campuses. They reviewed how each campus approves new programs. The goal was to make sure that questions asked of faculty developing new programs were in sync with what CPE needs answers to. The key to continuing to offer classes in small programs is meaningful collaboration.

A somewhat charged discussion developed about the use of KYVU and other online courses to replace courses in programs that had suffered faculty cuts. Reservations about online courses were expressed.

COSFL members were urged to read the report on Postsecondary Education Reform in Kentucky commissioned by the Prichard Committee for Academic Excellence. Many useful materials are available on the National Center for Public Policy and Higher Education Web site at <http://www.highereducation.org>.

At the end of the meeting, COSFL Chair Feldhoff again thanked those COSFL members who attended in person and via ITV links, and CPE Interim President Moore and her staff for their time and effort in preparing for this meeting. After a short discussion among the remaining COSFL members, the meeting was adjourned at 4:00 PM.

COSFL's next meeting will be **23 November 2002** from 10:00 AM until noon in the W.T. Young Library, University of Kentucky.

In a follow-up, Richard Freed, the faculty representative to CPE, reported that airport interviews were conducted with CPE President candidates. A follow-up meeting will be held in Frankfort on November 18th to discuss the candidates. COSFL "probably" will be invited to Frankfort to meet with candidates around November 18th to 20th. Richard has been extremely conscientious in keeping COSFL informed of the progress of the CPE President search.