

AGENDA

Tuition Development Work Group

Council on Postsecondary Education

Monday, December 11, 2017

1:00 PM

Conference Room A

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Council on Postsecondary Education Preliminary 2018-19 Tuition Setting Timeline

- Nov 3, 2017 **CPE Meeting** – Council Chair appoints members of the Tuition Development Work Group (TDWG).
- Dec 11, 2017 TDWG Meeting – Group members designate a chair for the 2018-19 tuition setting process. Council staff presents preliminary Tuition Setting Timeline, draft Tuition and Mandatory Fee Policy, key issues for 2018-19, and other policy relevant data for review and discussion.
- Dec – Jan Council staff obtains feedback from campus officials regarding preliminary Tuition Setting Timeline and draft Tuition and Mandatory Fee Policy and begins collecting and updating policy relevant data related to funding adequacy, shared benefits and responsibility, affordability and access, attracting and importing talent, and productivity.
- Postsecondary institutions begin collecting data related to fixed cost increases, tuition and fee revenue estimates, potential impact of tuition increases, anticipated uses of additional tuition and fee revenue, and budgeted student financial aid expenditures.
- Jan 3, 2018 Presidents’ Meeting – Council staff shares preliminary Tuition Setting Timeline and draft Tuition and Mandatory Fee Policy with postsecondary institution presidents for review and discussion. Key issues pertaining to the upcoming tuition cycle are identified and discussed.
- Jan – Feb Council and institutional staffs continue respective data collection efforts.
- (Date TBD) TDWG Meeting – Revised Tuition Setting Timeline, proposed Tuition and Mandatory Fee Policy, and updated policy relevant data are presented for review and discussion. Components of the Governor’s proposed budget ¹ and implications for the upcoming tuition cycle are discussed.
- Feb 2, 2018 **CPE Meeting** – Staff presents final Tuition Setting Timeline for Council information and recommended Tuition and Mandatory Fee Policy for Council action and provides an update on the 2018-19 tuition setting process.

¹ The deadline for introduction of the 2018-20 Executive Budget is January 16, 2018.

- Feb 7, 2018 Presidents' Meeting – Council staff shares updated policy relevant data for review and discussion.

- Feb – Mar Council and institutional staffs exchange information from respective data collection efforts and begin finalizing for distribution to Council members.

- Mar 7, 2018 Presidents' Meeting – Council staff shares updated policy relevant data and initiates discussion of tuition and mandatory fee ceilings.

- ➔ (Date TBD) TDWG Meeting – Staff presents finalized policy relevant data and updates work group members regarding discussions to date.

- Apr 4, 2018 Presidents' Meeting – Council staff shares draft tuition and fee ceilings with campus presidents for review and discussion.

- Apr 16, 2018 Conference call with campus presidents and chief budget officers to discuss components of the enacted 2018-20 budget ² and implications for the 2018-19 tuition and fee recommendation.

- ➔ (Date TBD) TDWG Meeting – Staff presents proposed tuition and mandatory fee ceilings for review, discussion, and work group endorsement.

- Apr 27, 2018 **CPE Meeting** – Staff presents recommended tuition and fee ceilings for Council action.

- May – Jun Postsecondary institutions submit proposed tuition and mandatory fee rates to Council staff. The Council president updates Council members regarding the rate proposals.

- Jun 22, 2018 **CPE Meeting** – The Council takes action on each institution's proposed tuition and mandatory fee rates.

² Assumes budget is enacted during the 2018 regular session or by the 60th legislative day (i.e., April 13, 2018).

Council on Postsecondary Education Tuition & Mandatory Fee Policy

The Council on Postsecondary Education is vested with authority under KRS 164.020 to determine tuition at public postsecondary education institutions in the Commonwealth of Kentucky. Kentucky's goals of increasing educational attainment, promoting research, assuring academic quality, and engaging in regional stewardship must be balanced with current needs, effective use of resources, and prevailing economic conditions. For the purposes of this policy, mandatory fees are included in the definition of tuition. During periods of relative austerity, the proper alignment of the state's limited financial resources requires increased attention to the goals of the *Kentucky Postsecondary Education Improvement Act of 1997* (HB 1) and the Strategic Agenda for Kentucky Postsecondary and Adult Education.

Fundamental Objectives

- Funding Adequacy

HB 1 states that Kentucky shall have a seamless, integrated system of postsecondary education, strategically planned and adequately funded to enhance economic development and quality of life. In discharging its responsibility to determine tuition, the Council, in collaboration with the institutions, seeks to balance the affordability of postsecondary education for Kentucky's citizens with the institutional funding necessary to accomplish the goals of HB 1 and the Strategic Agenda.

- Shared Benefits and Responsibility

Postsecondary education attainment benefits the public at large in the form of a strong economy and an informed citizenry, and it benefits individuals through elevated quality of life, broadened career opportunities, and increased lifetime earnings. The Council and the institutions believe that funding postsecondary education is a shared responsibility of state and federal governments, students and families, and postsecondary education institutions.

- Affordability and Access

Since broad educational attainment is essential to a vibrant state economy and to intellectual, cultural, and political vitality, the Commonwealth of Kentucky seeks to ensure that postsecondary education is broadly accessible to its citizens. The Council and the institutions are committed to ensuring that college is affordable and accessible to all academically

qualified Kentuckians with particular emphasis on adult learners, part-time students, minority students, and students from low- and moderate-income backgrounds.

The Council believes that no citizen of the Commonwealth who has the drive and ability to succeed should be denied access to postsecondary education in Kentucky because of inability to pay. Access should be provided through a reasonable combination of savings, family contributions, work, and financial aid, including grants and loans.

In developing a tuition and mandatory fees recommendation, the Council and the institutions shall work collaboratively and pay careful attention to balancing the cost of attendance—including tuition and mandatory fees, room and board, books, and other direct and indirect costs—with students' ability to pay by taking into account (1) students' family and individual income; (2) federal, state, and institutional scholarships and grants; (3) students' and parents' reliance on loans; (4) access to all postsecondary education alternatives; and (5) the need to enroll and graduate more students.

- Effective Use of Resources

Kentucky's postsecondary education system is committed to using the financial resources invested in it as effectively and productively as possible to advance the goals of HB 1 and the Strategic Agenda, including undergraduate and graduate education, engagement and outreach, research, and economic development initiatives. The colleges and universities seek to ensure that every dollar available to them is invested in areas that maximize results and outcomes most beneficial to the Commonwealth and its regions. It is anticipated that adoption of an outcomes-based funding model during the 2017 legislative session will provide ongoing incentives for increased efficiency and productivity within Kentucky's public postsecondary system. The Council's Strategic Agenda and funding model metrics will be used to monitor progress toward attainment of both statewide and institutional HB 1 and Strategic Agenda goals.

- Attracting and Importing Talent to Kentucky

It is unlikely that Kentucky can reach its 2025 postsecondary education attainment goal by focusing on Kentucky residents alone. The Council and the institutions are committed to making Kentucky institutions financially attractive to nonresident students, while recognizing that nonresident undergraduate students should pay a significantly larger proportion of the cost of their education than do resident students. Tuition reciprocity agreements, which provide low-cost access to out-of-state institutions for Kentucky students that live near the borders of other states, also serve to attract students from surrounding states to Kentucky's colleges and universities.

A copy of the Council's nonresident student tuition and mandatory fee policy is contained in the paragraphs below. Going forward, Council staff will periodically review and evaluate the policy to determine its impact on attracting and retaining students that enhance diversity and the state's competitiveness.

Nonresident Student Tuition and Fees

The Council and the institutions believe that nonresident students should pay a larger share of their educational costs than do resident students. As such, published tuition and fee levels adopted for nonresident students shall be higher than the prices for resident students enrolled in comparable programs of study.

In addition, every institution shall manage its tuition and fee rate structures, price discounting, and scholarship aid for out-of-state students, such that the average net tuition and fee revenue generated per nonresident student equals or exceeds 100% of direct instructional and student services costs per student. As part of the tuition and fee setting process, staff shall monitor and report annually to the Council regarding compliance with this requirement.

Given the substantial costs associated with health-sciences professional programs, and to ensure comparability of policy data and analysis across institutions, direct costs and revenues for dentistry, medicine, and pharmacy students shall be excluded from calculations of policy assessment parameters for the research institutions.

Special Use Fee Exception Policy

During the 2010-11 tuition setting process, campus officials requested that the Council consider excluding student-endorsed fees from its mandatory fee definition, thus omitting consideration of such fees when assessing institutional compliance with Council approved tuition and fee rate ceilings. Based on feedback received from institutional Chief Budget Officers (CBOs) at their December 2010 meeting, it was determined that there was general interest in treating student-endorsed fees differently from other mandatory fees.

In January and February 2011, Council staff collaborated with institutional presidents, CBOs, and their staffs in developing the following Special Use Fee Exception Policy:

- To the extent that students attending a Kentucky public college or university have deliberated, voted on, and requested that their institution's governing board implement a special use fee for the purposes of constructing and operating and maintaining a new facility, or renovating an existing facility, that supports student activities and services;

- And recognizing that absent any exemption, such student-endorsed fees, when implemented in the same year that the Council adopts tuition and fee rate ceilings, would reduce the amount of additional unrestricted tuition and fee revenue available for an institution to support its E&G operation;
- The Council may elect to award an exemption to its tuition and fee rate ceiling equivalent to all or a portion of the percentage increase resulting from imposition of the student-endorsed fee, provided said fee meets certain eligibility requirements.

Definitions

A student-endorsed fee is a mandatory flat-rate fee that has been broadly discussed, voted on, and requested by students and adopted by an institution's governing board, the revenue from which may be used to pay debt service and operations and maintenance expenses on new facilities, or capital renewal and replacement costs on existing facilities and equipment that support student activities and services, such as student unions, fitness centers, recreation complexes, health clinics, and/or tutoring centers.

Maintenance and Operations (M&O) expenses are costs incurred for the administration, supervision, operation, maintenance, preservation, and protection of a facility. Examples of M&O expenses include janitorial services, utilities, care of grounds, security, environmental safety, routine repair, maintenance, replacement of furniture and equipment, and property and facility planning and management.

Eligibility Criteria

A student-endorsed fee will continue to be a mandatory fee within the context of the Council's current mandatory fee definition and may qualify for an exemption from Council approved tuition and fee rate ceilings. Campus officials and students requesting an exemption under this policy must be able to demonstrate that:

- All enrolled students have been afforded ample opportunity to be informed, voice their opinions, and participate in the decision to endorse a proposed fee. Specifically, it must be shown that fee details have been widely disseminated, broadly discussed, voted on while school is in session, and requested by students.
- For purposes of this policy, voted on means attaining:
 - a) A simple majority vote via campus-wide referendum, with a minimum of one-quarter of currently enrolled students casting ballots;
 - b) A three-quarters vote of elected student government representatives; or

- c) A simple majority vote via campus-wide referendum, conducted in conjunction and coinciding with the general election of a student government president or student representative to a campus board of regents or board of trustees.
- The proposed fee and intended exemption request have been presented to, and adopted by, the requesting institution's governing board. It is anticipated that elected student government representatives will actively participate in board presentations.
 - Revenue from such fees will be used to pay debt service and M&O expenses on new facilities, or capital renewal and replacement costs on existing facilities and equipment that support student activities and services, such as student unions, fitness centers, recreation complexes, health clinics, and/or tutoring centers. The Council expects these uses to be fully explained to students prior to any votes endorsing a fee.
 - In any given year, the impact of a student-endorsed fee on the overall increase in tuition and mandatory fees for students and their families will be reasonable. It may be appropriate to phase in the exemption over multiple years to maintain affordability and access.
 - Requests for student-endorsed exemptions are infrequent events. The Council does not expect requests for exemptions under this policy to occur with undue frequency from any single institution and reserves the right to deny requests that by their sheer number are deemed excessive.
 - A plan is in place for the eventual reduction or elimination of the fee upon debt retirement, and details of that plan have been shared with students. The Council does not expect a fee that qualifies for an exemption under this policy to be assessed at full rate in perpetuity. Such fees should either terminate upon completion of the debt or, in the case of new facilities, may continue at a reduced rate to defray ongoing M&O costs. In either case, to qualify for an exemption, students should be fully aware of the extent of their obligation prior to any votes endorsing a fee.

Exemption Process

Requests for an exemption under this policy will be evaluated on a case-by-case basis. To initiate the process:

- The requesting institution will notify Council staff of any pending discussions, open forums, referendums, or student government actions pertaining to a proposed special use fee and discuss fee details with Council staff as needed.

- After a fee has been endorsed by student referendum or through student government action and approved by the institution's governing board, campus officials and students will submit a written exemption request to the Council for its consideration.
- Council staff will review the request, assess whether or not the proposed fee qualifies for an exemption, and make a recommendation to the Council.

To facilitate the exemption request process, requesting institutions and students are required to provide the Council with the following information:

- Documents certifying that the specific project and proposed fee details have been widely disseminated, broadly discussed, voted on, and requested by students, as well as adopted by the institution's governing board.
- Documents specifying the fee amount, revenue estimates, uses of revenue, impact on tuition and fees during the year imposed (i.e., percentage points above the ceiling), and number of years the fee will be in place.
- Documents identifying the project's scope, time frame for completion, debt payment schedule, and plan for the eventual reduction or elimination of the fee upon debt retirement.

Asset Preservation Fee Exception Policy

During the 2017-18 tuition setting process, officials from Eastern Kentucky University asked if the Council would consider allowing their institution to assess a new student fee dedicated to supporting expenditures for asset preservation and renovation projects that would be treated as being outside the tuition and fee caps set annually by the Council. Staff responded that it was too late in the process to allow for a full vetting of a proposed change in the Council's Tuition and Mandatory Fee Policy prior to the Council adopting tuition ceilings at the March 31 meeting. In addition, staff wanted to explore the possibility of adopting a system-wide asset preservation fee that would benefit and address asset preservation needs at every public postsecondary institution.

In August 2017, staff determined that there was general interest among campus officials to pursue a change in tuition policy that would allow each institution the option to implement a student fee for asset preservation, if its administrators and governing board chose to do so, that would be exempted from Council approved tuition and fee ceilings. In September and October, Council staff worked with campus presidents, chief budget officers, and Budget Development Work Group members to develop the Asset Preservation Fee Exception Policy described below.

- Given that in 2007, Council and postsecondary institution staffs contracted with Vanderweil Facilities Advisors, Inc. (VFA) and Paulien and Associates to conduct a comprehensive assessment of Kentucky's public postsecondary education facilities to determine both system and individual campus needs for new and expanded space, asset preservation and renovation, and fit-for-use capital projects;
- Given that in 2013, VFA adjusted the data from its 2007 study to account for continuing aging of postsecondary facilities and rising construction costs, and projected that the cumulative need for asset preservation and fit-for-use expenditure would grow to \$7.3 billion within the 2017 to 2021 timeframe;
- Given that over the past five biennia, 2008-10 through 2016-18, the Commonwealth of Kentucky has appropriated a total of \$262.0 million for its public colleges and universities to address asset preservation and renovation and fit-for-use projects, representing about 3.6% of the total cumulative need identified by VFA;
- Given that in late summer 2017, the Council and postsecondary institutions concluded that the only reasonable course of action to begin to address the overwhelming asset preservation and renovation and fit-for-use needs was through sizable and sustained investment in existing postsecondary facilities, which can only be accomplished through a cost sharing arrangement involving the state, postsecondary institutions, and students and families;
- Given that the best way to ensure the ongoing commitment and participation of students and families in a cost-sharing partnership to address asset preservation and renovation needs is through the implementation of an optional dedicated student fee;

- Given that such an asset preservation fee, when implemented in the same year that the Council adopts a tuition and fee rate ceiling, would reduce the amount of additional unrestricted tuition and fee revenue available for an institution to support its E&G operation;
- The Council may elect to award an exemption to its tuition and fee rate ceiling of up to \$10.⁰⁰ per credit hour at the public universities, capped at 15 credit hours per semester for undergraduate students, for a dedicated student fee that supports asset preservation and renovation projects related to the instructional mission of the institution;
- The Council may elect to award an exemption to its tuition and fee rate ceiling of up to \$5.00 per credit hour at KCTCS institutions, capped at 15 credit hours per semester, for a dedicated student fee that supports asset preservation and renovation projects related to the instructional mission of the institution.

Definition

An asset preservation fee is a mandatory, flat-rate fee that has been approved by an institution's governing board, the revenue from which is either expended upon collection on asset preservation and renovation and fit-for-use capital projects, or used to pay debt service on agency bonds issued to finance such projects, that support the instructional mission of the institution.

Eligibility Criteria

An asset preservation fee may qualify for an exemption from Council approved tuition and fee rate ceilings, provided the following criteria are met:

- The proposed asset preservation project(s) and related fee shall be approved by the requesting institution's governing board.
- The cost of a given asset preservation and renovation or fit-for-use project shall equal or exceed \$1.0 million; however, several smaller asset preservation projects may be bundled to meet the threshold requirement.
- Revenue from the fee may either be expended upon collection on asset preservation and renovation or fit-for-use projects, or used to pay debt service on agency bonds issued to finance such projects.
- Both the direct expenditure of fee revenue and the expenditure of agency bond funds generated by the fee may be used to meet matching requirements on state bond funds issued for asset preservation projects. In previous biennia, state leaders have required a dollar-for-dollar institutional match on state-funded asset preservation pools.

- In any given academic year, the impact of implementing an asset preservation fee, when combined with tuition and fee increases supporting campus operations, will be reasonable for Kentucky students and families.
- It may be appropriate to phase in an exemption over multiple years to maintain affordability and access.
- The Council does not expect a fee that qualifies for an exemption under this policy to remain in effect in perpetuity. To be eligible for an exemption, the requesting institution must have a plan in place for the eventual elimination of a proposed asset preservation fee within 25 years of its initial implementation date.

Exemption Process

The Council will evaluate requests for a fee exemption under this policy on a case-by-case basis. To initiate the process:

- An institution's governing board must approve the proposed asset preservation project(s) and related student fee.
- Campus officials must submit to the Council a copy of that board approval, along with a written request to exempt the asset preservation fee from Council tuition and fee ceilings.
- Council staff will review the request, assess whether or not the proposed project(s) and related fee qualify for an exemption, and make a recommendation to the Council.

To facilitate the exemption request review process, a requesting institution shall provide the Council with the following information:

- Documents certifying that the specific asset preservation project(s) financed and proposed fee details have been approved by the institution's governing board.
- Documents specifying the fee amount, anticipated implementation date, revenue projections, uses of revenue, number of years the fee will be in place, and impact on tuition and fees in the year imposed (i.e., percentage points above the ceiling).
- Documents identifying the project's scope, its timeframe for completion, debt payment schedule, and plan for the eventual elimination of the fee upon debt retirement.

2017-18 Tuition and Mandatory Fee Recommendation

ACTION: It is recommended that the Council approve resident undergraduate tuition and mandatory fee ceilings for academic year 2017-18 that equate to maximum base rate increases of no more than 3.0 percent at Western Kentucky University, no more than 4.0 percent at the University of Kentucky and Northern Kentucky University, and no more than 5.0 percent at Eastern Kentucky University, Kentucky State University, Morehead State University, and Murray State University.

It is further recommended that the Council approve a tuition and fee ceiling for resident students attending KCTCS institutions that equates to a maximum base rate increase of no more than \$6.⁰⁰ per credit hour (i.e., a 3.9% increase).

Finally, it is recommended that the public institutions be allowed to submit for Council review and approval market competitive tuition and fee rates for graduate and online courses.

Staff is not recommending a tuition and fee ceiling for the University of Louisville this tuition setting cycle, as the university's Board of Trustees has already voted to maintain current tuition and fee levels into 2017-18 (i.e., no increase) and that decision has been affirmed by the institution's interim president.

The Council staff used a collaborative process to develop its 2017-18 tuition and mandatory fee ceiling recommendation, which included sharing information and engaging in discussions with campus presidents and chief budget officers, Council members, student groups, and the Governor's office. Based on feedback from multiple stakeholders there is a general sentiment that increases in resident undergraduate tuition and fees should be moderate in academic year 2017-18 to support a necessary balance between the ability of students and families to pay for college and resources required for postsecondary institutions to address inflationary cost increases, manage growth in employer paid retirement contributions, and support continuing progress toward attainment of HB1 and Strategic Agenda goals and objectives.

These recommendations are consistent with the primary objectives of the Council's Tuition and Mandatory Fee Policy, including funding adequacy, shared benefits and responsibility, affordability and access, attracting and importing talent, and effective use of resources.

Staff Recommendation

Staff is recommending that the Council adopt resident undergraduate tuition and fee ceilings of 3.0 percent at Western Kentucky University, 4.0 percent at the University of Kentucky and Northern Kentucky University, and 5.0 percent at Eastern Kentucky University, Kentucky State University, Morehead State University, and Murray State University. Staff is also recommending a ceiling for in-state students attending KCTCS institutions that equates to a maximum base rate increase of \$6.00 per credit hour.

For the purposes of calculating tuition and fee ceilings, an institution's base rate is defined as the current year annual tuition and mandatory fee charge for full-time resident undergraduate students, minus any special use fees, agency bond fees, or safety and security fees that were exempted from a Council rate ceiling during a previous tuition setting cycle. The table below contains staff recommended annual base rate ceilings by institution for full-time resident undergraduate students for academic year 2017-18.

Annual Resident Undergraduate Tuition and Mandatory Fees Recommended Base Rate Ceilings by Institution Academic Year 2017-18				
<u>Institution</u>	<u>2016-17 Base Rates ⁽¹⁾</u>	<u>2017-18 Base Rates ⁽¹⁾</u>	<u>Dollar Change</u>	<u>Percent Change</u>
UK _(Lower)	\$11,320	\$11,773	\$453	4.0%
UK _(Upper)	11,646	12,112	466	4.0%
UofL	11,068	11,068	0	0.0%
EKU	8,568	8,996	428	5.0%
KSU	7,796	8,186	390	5.0%
MoSU	8,398	8,818	420	5.0%
MuSU _(New)	8,400	8,820	420	5.0%
MuSU _(Returning)	7,944	8,341	397	5.0%
NKU	9,000	9,360	360	4.0%
WKU	9,712	10,003	291	3.0%
KCTCS	\$4,620	\$4,800	\$180	3.9%
KCTCS _{pch}	\$154.00 _{pch}	\$160.00 _{pch}	\$6.00 _{pch}	3.9%

pch - per credit hour

⁽¹⁾ Does not include Special Use Fees at UofL, EKU, MoSU, NKU, and WKU; or Agency Bond Fees and Safety and Security Fees at KCTCS.

CPE staff further recommends that the public postsecondary institutions be allowed to submit for Council approval market competitive tuition and mandatory fee rates for graduate and online courses, as approved by their respective boards.

Mandated KERS Increases

Over the past several biennia, the Commonwealth of Kentucky has required that the public postsecondary institutions assume an increasing share of retirement system costs by increasing the Actuarial Required Contribution (ARC) rate for institutions that have employees who participate in the Kentucky Employees Retirement System (KERS). It is estimated that, between 2011-12 and 2016-17, employer paid contributions at the state's comprehensive universities and KCTCS institutions will increase from \$30.2 million to \$72.0 million, respectively, or by 138 percent (see Attachment A). For participating institutions, the rate of growth in KERS contributions has averaged about 19 percent per year. Although UK and UofL do not have any KERS employees, they do have 403(b) defined contribution plans, which will begin incurring increased post employment benefit costs next year. CPE and research university staffs have initiated discussions regarding how to address these added costs in future years.

While the overall trend has been toward escalation in ARC rates, the magnitude of annual increases has been sporadic in recent years, with larger increases in rates tending to occur in the first year of each new biennium and smaller increases occurring in the second year. For example, between fiscal years 2013-14 and 2014-15, the ARC rate for those employed in non-hazardous vocations increased from 26.79 percent to 38.77 percent, respectively, or an increase of 11.98 percentage points. The next year, the rate stayed the same (i.e., 38.77 percent in 2015-16). Between 2015-16 and 2016-17, the ARC rate for non-hazardous duty employees grew from 38.77 to 48.59, or a 9.82 percentage point increase, but the increase in 2017-18 will be .88 percentage points (an ARC rate of 49.47 percent).

For the most part, the required increases in comprehensive university and KCTCS institution KERS contributions over the past decade or so have been an unfunded mandate. The state did provide \$8.4 million in additional appropriations to participating institutions to partially offset KERS increase amounts in fiscal year 2014-15 (i.e., at 50% of the required increase), but the balance of the increase during this period has been absorbed by the institutions and has been tantamount to additional budget cuts.

Beginning with the 2012-13 tuition setting cycle, and in every cycle since, Council staff has explicitly considered the impact of mandated increases in retirement system contributions on postsecondary institution operating budgets. As a result of that consideration, the previously mentioned sporadic nature of the KERS increases is reflected in annual variation in system average tuition and fee increases.

In other words, in years where required increases in KERS contributions were larger, increases in postsecondary system average tuition and fees also were larger. For example, in academic years 2013-14 and 2015-16 (i.e., the second year of each biennium), tuition and mandatory fee increases for resident undergraduate students averaged 3.1 percent and 3.6 percent, respectively, and in 2014-15 and 2016-17 (i.e., the first year of each biennium) tuition and fee increases averaged 4.5 percent and 5.4 percent.

KERS Increase Allowance

Research has shown that large swings in the relative size of annual tuition and fee increases are problematic for many in the higher education community. Sizable variations in rates of increase from year to year can make it difficult for students and families to plan for college costs. Such variations inject a measure of uncertainty into a major campus revenue stream, hampering the ability of administrators to develop annual operating budgets and engage in meaningful strategic planning.

CPE staff has heard from multiple state government sources that KERS contribution rates are going to continue to increase for participating postsecondary institutions, most likely at an accelerated pace relative to the past decade. The magnitude and the timing of the increases are unknown at this time. For the above reasons, staff has calculated and is recommending use of a KERS Increase Allowance for academic year 2017-18 and for the foreseeable future.

The methodology for calculating the KERS Increase Allowance can be seen in Attachment B. It basically applies a five-year average annual growth rate for each participating institution to the estimated 2016-17 KERS contribution base to determine each individual institution's KERS Increase Allowance. The system total allowance for fiscal year 2017-18 is \$13.7 million.

It is Council staff's expectation that future employer contributions to the retirement system will be considerably larger than any of the increases experienced over the past five years. The Governor has indicated that a Special Session of the legislature will be called to address the long-standing pension issue and that the magnitude of expected increases will be guided by a yet to be completed independent audit of the pension system. It is staff's recommendation to campus administrators that some portion of the revenue generated by the 2017-18 KERS Increase Allowance be held in reserve, or expended only on nonrecurring obligations, in order to have those funds available for use and reduce the magnitude of tuition and fee increases in future years.

Estimated Fiscal Impact

Unless there is a mid-year budget cut in fiscal 2017-18, it is anticipated that state General Fund appropriations for most Kentucky colleges and universities will not change appreciably between this year and next, provided that \$42.9 million appropriated to the Postsecondary Education Performance Fund is returned to the institutions in roughly the same proportions as they were contributed. The exceptions to this expectation are NKU and WKU, which are slated to receive additional appropriations of \$5.1 million and \$2.5 million in Equity Adjustment funds in 2017-18. The additional funds represent half the amount requested in the Council's 2016-18 budget recommendation to address funding equity in the comprehensive sector.

Campus administrators estimate that expenditures for fixed and unavoidable costs, such as maintenance and operation of facilities, health insurance, contractual obligations, and worker's compensation will increase by a system total \$42.1 million

between fiscal years 2016-17 and 2017-18. This estimate does not include any across-the-board salary increases for faculty or staff. When anticipated cost increases are considered along with \$13.7 million for the newly created KERS Increase Allowance, it results in \$55.8 million in combined challenges for the institutions.

If staff's recommended tuition and fee rate ceilings are approved by the Council and adopted by institution governing boards, campus officials estimate that the rate increase parameters would generate a system total \$44.3 million in additional tuition and fee revenue, net of institution-based grants and scholarships. While this amount just covers estimated fixed cost increases at our institutions, it falls well short (i.e., \$11.5 million short) of covering fixed cost increases and the KERS Increase Allowance combined.

Institution Rate Proposals

It is anticipated that the postsecondary institutions will submit their proposed 2017-18 tuition and fee rates for Council review and approval at the June 16 meeting. CPE staff will recommend approval of resident undergraduate rates that comply with approved ceilings and market competitive rates for graduate and online courses.

Council on Postsecondary Education
 Calculated Tuition and Mandatory Fee Ceilings for Resident Undergraduate Students
 Academic Year 2017-18

Institution	(A - B)		D	C x (1 + D)	F	(E + F)	(G - A)	(G / A) - 1	J	K	
	A	B									C
	2016-17 Tuition and Fee Charges	2016-17 Special Fees	2016-17 Base Rates	2017-18 % Increase Parameters	Approved 2017-18 Max Base Rates	2017-18 Special Fees	2017-18 Tuition and Fee Charges	Dollar Change	Percent Change	Actual FY18 Tuition and Fee Charges ⁶	Difference
UK _(Lower) ¹	\$11,320	\$0	\$11,320	4.0%	\$11,773	\$0	\$11,773	\$453	4.0%	\$11,772	(\$1)
UK _(Upper) ¹	11,646	0	11,646	4.0%	12,112	0	12,112	466	4.0%	\$12,112	\$0
UofL ²	11,264	196	11,068	0.0%	11,068	196	11,264	0	0.0%	\$11,264	\$0
EKU ³	8,868	300	8,568	5.0%	8,996	300	9,296	428	4.8%	\$9,296	\$0
KSU	7,796	0	7,796	5.0%	8,186	0	8,186	390	5.0%	\$8,184	(\$2)
MoSU ²	8,530	132	8,398	5.0%	8,818	132	8,950	420	4.9%	\$8,950	\$0
MuSU _(New) ⁴	8,400	0	8,400	5.0%	8,820	0	8,820	420	5.0%	\$8,820	\$0
MuSU _(Returning) ⁴	7,944	0	7,944	5.0%	8,341	0	8,341	397	5.0%	\$8,340	(\$1)
NKU ²	9,384	384	9,000	4.0%	9,360	384	9,744	360	3.8%	\$9,744	\$0
WKU ²	9,912	200	9,712	3.0%	10,003	200	10,203	291	2.9%	\$10,202	(\$1)
KCTCS ⁵	\$4,920	\$300	\$4,620	3.9%	\$4,800	\$300	\$5,100	\$180	3.7%	\$5,100	\$0
KCTCS _{pch}	\$164.00	\$10.00	\$154.00	3.9%	\$160.00	\$10.00	\$170.00	\$6.00	3.7%	\$170	\$0

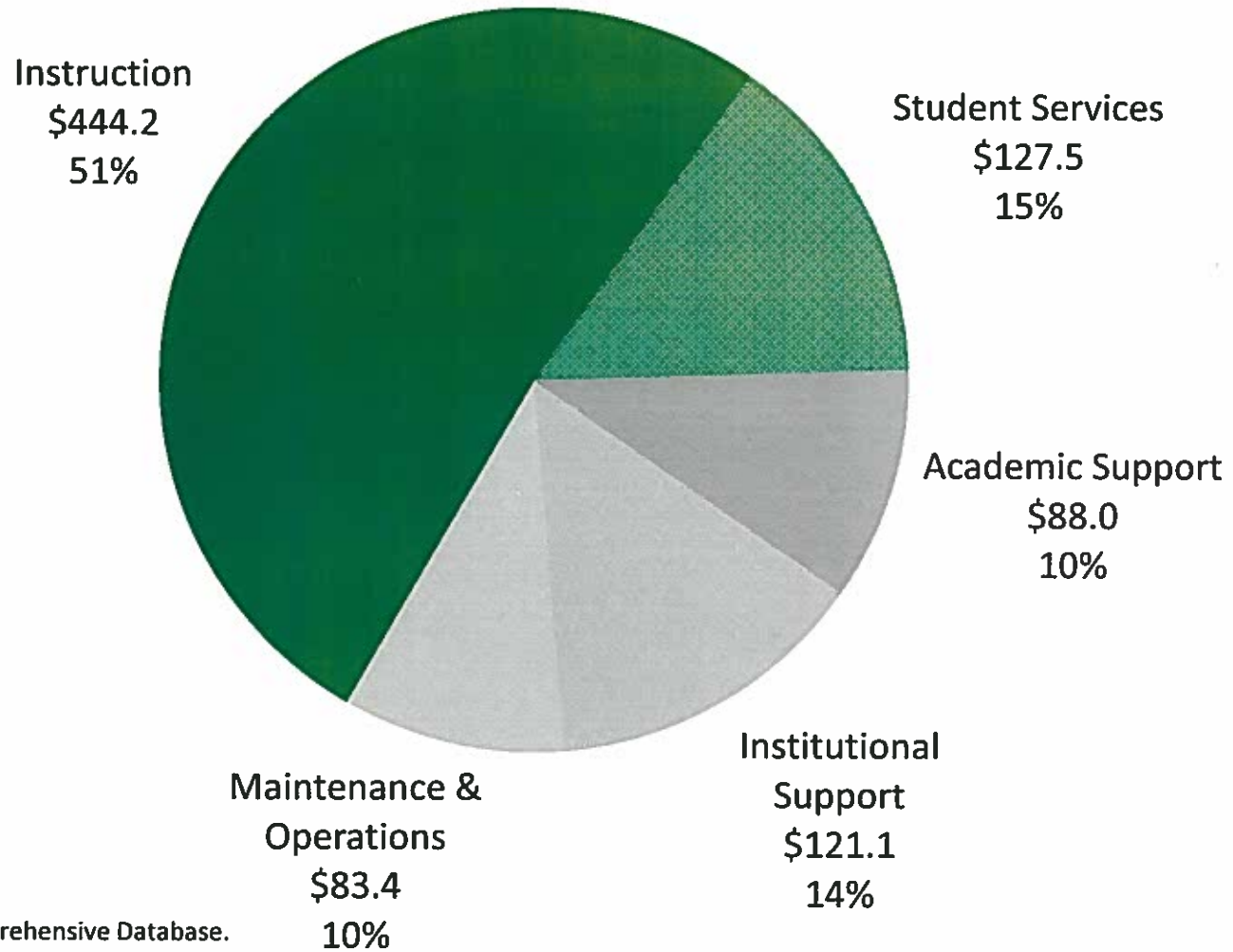
¹ Beginning in 2004-05, UK began charging a differential between lower division and upper division resident undergraduate tuition and fees.
² Beginning in 2011-12, tuition and fee charges for UofL, MoSU, NKU, and WKU include Special Use Fees.
³ Beginning in 2015-16, tuition and fee charges for EKU include a Special Use Fee.
⁴ Beginning in 2016-17, MuSU began charging a differential between new and returning students.
⁵ Beginning in 2014-15, tuition and fee charges for KCTCS include an Agency Bond Fee and beginning in 2016-17 they include a Safety and Security Fee.
⁶ Actual 2017-18 tuition and fee charges obtained from university and KCTCS websites.

Definitions

- Tuition and fee charges are annual full-time comparison rates, assuming a student takes 15 credit hours per semester for two semesters (i.e., fall and spring) for a total of 30 credit hours taken during the academic year.
 - Special Use Fees are mandatory fees that have been requested by students and approved by an institution's governing board, the revenue from which is used to pay debt service and operations and maintenance expenses on facilities that support student activities and services.
 - Base rates are defined as total tuition and fee charges minus Special Use Fees at UofL, EKU, MoSU, NKU, and WKU, and minus Agency Bond and Safety and Security fees at KCTCS.
- pch = per credit hour

Kentucky Public Comprehensive Universities
Education and Related Spending by Component
Fiscal Year 2013-14

Total = \$864.2 Million



Sources: IPEDS; CPE Comprehensive Database.

**Importance of State Investment in Higher Education
for Maintaining College Affordability and Covering Cost Increases**
Dollars in Millions

Education and Related Spending

<u>Expense Category</u>	<u>Year 1</u>	<u>HEPI Inflation ²</u>	<u>Year 2</u>	<u>Dollar Change</u>
Instruction	\$50.0	2.0%	\$51.0	\$1.0
Student Services	15.0	2.0%	15.3	0.3
Allocated Overhead ¹	<u>35.0</u>	2.0%	<u>35.7</u>	<u>0.7</u>
Total Education & Related Spending	\$100.0		\$102.0	\$2.0

Total Public Funds Revenue

Scenario 1: Increase in State Appropriation

<u>Revenue Category</u>	<u>Year 1</u>	<u>Percent Change</u>	<u>Year 2</u>	<u>Dollar Change</u>
State Appropriation	\$50.0	2.0%	\$51.0	\$1.0
Net Tuition and Fees	<u>50.0</u>	2.0%	<u>51.0</u>	<u>1.0</u>
Total Public Funds Revenue	\$100.0		\$102.0	\$2.0

Scenario 2: No Change in State Appropriation

<u>Revenue Category</u>	<u>Year 1</u>	<u>Percent Change</u>	<u>Year 2</u>	<u>Dollar Change</u>
State Appropriation	\$50.0	0.0%	\$50.0	\$0.0
Net Tuition and Fees	<u>50.0</u>	4.0%	<u>52.0</u>	<u>2.0</u>
Total Public Funds Revenue	\$100.0		\$102.0	\$2.0

Scenario 3: Decrease in State Appropriation

<u>Revenue Category</u>	<u>Year 1</u>	<u>Percent Change</u>	<u>Year 2</u>	<u>Dollar Change</u>
State Appropriation	\$50.0	-2.0%	\$49.0	(\$1.0)
Net Tuition and Fees	<u>50.0</u>	6.0%	<u>53.0</u>	<u>3.0</u>
Total Public Funds Revenue	\$100.0		\$102.0	\$2.0

Scenario 4: Decrease in State Appropriation Plus Tuition Cap

<u>Revenue Category</u>	<u>Year 1</u>	<u>Percent Change</u>	<u>Year 2</u>	<u>Dollar Change</u>
State Appropriation	\$50.0	-2.0%	\$49.0	(\$1.0)
Net Tuition and Fees	<u>50.0</u>	4.0%	<u>52.0</u>	<u>2.0</u>
Total Public Funds Revenue	\$100.0		\$101.0	\$1.0

¹ Includes allocations for academic support, institutional support, and M&O of campus facilities.

² Calculated 10-year average annual growth rate in the Higher Education Price Index (HEPI).

Council on Postsecondary Education
 2018-20 Biennial Budget Recommendation
 Estimated Change in KERS Employer Contributions
 Between Fiscal Years 2017-18 and 2018-19

<u>Institution</u>	<u>Fiscal 2017-18 Est. Employer Contributions</u>	<u>Fiscal 2018-19 Est. Employer Contributions</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Eastern Kentucky University	\$13,880,036	\$23,594,456	\$9,714,420	70.0%
Kentucky State University	1,941,996	3,300,535	1,358,539	70.0%
Morehead State University	4,688,060	7,971,843	3,283,783	70.0%
Murray State University	6,823,158	11,600,496	4,777,338	70.0%
Northern Kentucky University	18,311,898	31,122,629	12,810,731	70.0%
Western Kentucky University	10,373,542	17,636,809	7,263,267	70.0%
KCTCS Institutions	<u>11,497,814</u>	<u>19,537,220</u>	8,039,406	69.9%
Contribution Totals	\$67,516,504	\$114,763,988	\$47,247,484	70.0%

Source: Kentucky Retirement System, by way of Office of State Budget Director.

Kentucky Public Comprehensive Universities and KCTCS Institutions
 Calculation of KERS Contribution Increase Allowance
 Fiscal Year 2017-18

Attachment B

<u>Institution</u>	<u>Fiscal 2011-12 KERS Employer Contributions</u>	<u>Fiscal 2016-17 KERS Employer Contributions</u>	<u>5-Year AAGR</u>	<u>Fiscal 2017-18 KERS Increase Allowance</u>
Eastern Kentucky University	5,597,129	14,379,770	20.8%	2,986,600
Kentucky State University	1,033,097	2,121,743	15.5%	328,500
Morehead State University	2,393,369	4,995,065	15.9%	791,900
Murray State University	3,091,598	6,576,466	16.3%	1,071,700
Northern Kentucky University	8,152,077	19,174,036	18.7%	3,577,100
Western Kentucky University	5,070,164	11,485,863	17.8%	2,040,800
KCTCS	4,870,055	13,242,140	22.1%	2,932,800
Group Total	30,207,489	71,975,083	19.0%	13,729,400

KERS = Kentucky Employees Retirement System

AAGR = Average Annual Growth Rate

Sources: Kentucky Retirement System Data, Fiscal Year 2011-12; Participating Postsecondary Institution, Chief Budget Officer Estimates, Fiscal Year 2016-17.

**Scenario 2: Amount Required to Bring UofL's Hold Harmless Allocation to Zero in the First Year
(Funding Amount Doubled in the Second Year)**

Institution	(A + B)		D	E	F	Outcomes Based Components (@ 70%)				Operational Support Components (@ 30%)					G	H	I		
	A	B				C	Success Share ²	Student Success	Credit Hour Share ³	Course Completion	Square Feet Share ⁴	Maintenance & Operations	Direct Cost Share ⁵	Institutional Support				FTE Student Share ⁶	Academic Support
UK	\$181,186,200	\$2,446,600	\$183,632,800	(\$18,118,600)	\$0	\$165,514,200	31.2%	\$59,204,200	29.7%	\$56,375,600	33.4%	\$18,094,600	27.0%	\$14,645,200	31.7%	\$17,194,500	\$165,514,100	(\$100)	0.0%
UofL	132,016,400	0	132,016,400	(13,201,600)	0	118,814,800	21.2%	40,310,800	22.7%	43,139,500	19.1%	10,338,400	25.4%	13,787,600	20.7%	11,238,400	118,814,700	(100)	0.0%
EKU	62,645,200	2,579,300	65,224,500	(4,731,200)	0	60,493,300	11.1%	21,136,600	11.7%	22,197,400	10.5%	5,680,000	10.3%	5,609,600	10.8%	5,869,700	60,493,300	0	0.0%
KSU	19,993,600	0	19,993,600	(4,731,200)	(6,809,300)	8,453,100	1.7%	3,177,200	1.0%	1,892,600	3.3%	1,770,700	1.6%	882,200	1.3%	730,300	8,453,000	(100)	0.0%
MoSU	38,562,600	0	38,562,600	(4,731,200)	(3,276,800)	30,554,600	5.3%	10,078,900	5.7%	10,884,900	6.2%	3,342,700	5.7%	3,094,600	5.8%	3,153,500	30,554,600	0	0.0%
MuSU	43,314,700	1,185,900	44,500,600	(4,731,200)	0	39,769,400	7.3%	13,774,400	6.9%	13,111,700	9.2%	4,982,000	7.4%	4,023,700	7.2%	3,877,600	39,769,400	0	0.0%
NKU	50,297,200	5,067,400	55,364,600	(4,731,200)	0	50,633,400	9.6%	18,145,900	9.3%	17,565,500	8.6%	4,665,200	9.2%	5,006,100	9.7%	5,250,700	50,633,400	0	0.0%
WKU	69,059,200	3,470,900	72,530,100	(4,731,200)	0	67,798,900	12.6%	23,882,900	12.9%	24,543,900	9.8%	5,329,600	13.2%	7,154,100	12.7%	6,888,500	67,799,000	100	0.0%
Sector	\$597,075,100	\$14,750,100	\$611,825,200	(\$59,707,400)	(\$10,086,100)	\$542,031,700	100.0%	\$189,710,900	100.0%	\$189,711,100	100.0%	\$54,203,200	100.0%	\$54,203,100	100.0%	\$54,203,200	\$542,031,800	100.0%	Math Check
						Allocated Dollars:		\$189,711,100		\$189,711,100		\$54,203,200		\$54,203,200		\$54,203,200	\$542,031,800		
						Percent of Total:		35.0%		35.0%		10.0%		10.0%		10.0%	100.0%		

¹ Small School Adjustment defined as fixed base amount that remains constant when sector total appropriation increases or stays the same, but may be reduced if there is a budget cut.

² Student Success component distributed based on each institution's share of weighted student success outcomes produced (i.e., bachelor's degrees; STEM+H, URM, and low-income bachelor's degrees; and student progression at 30, 60, and 90 credit hour thresholds).

³ Course Completion distributed based on each institution's share of weighted student credit hours earned. Weights reflect differences in costs by course level and discipline, as well as, differences in cost structures and mission between sectors. Credit hours earned by out-of-state students are counted at 50% of similar credit hours earned by in-state students.

⁴ Funding for maintenance and operation (M&O) of facilities distributed based on each institution's share of Category I and Category II square feet, net of research, non-class laboratory, and open laboratory space.

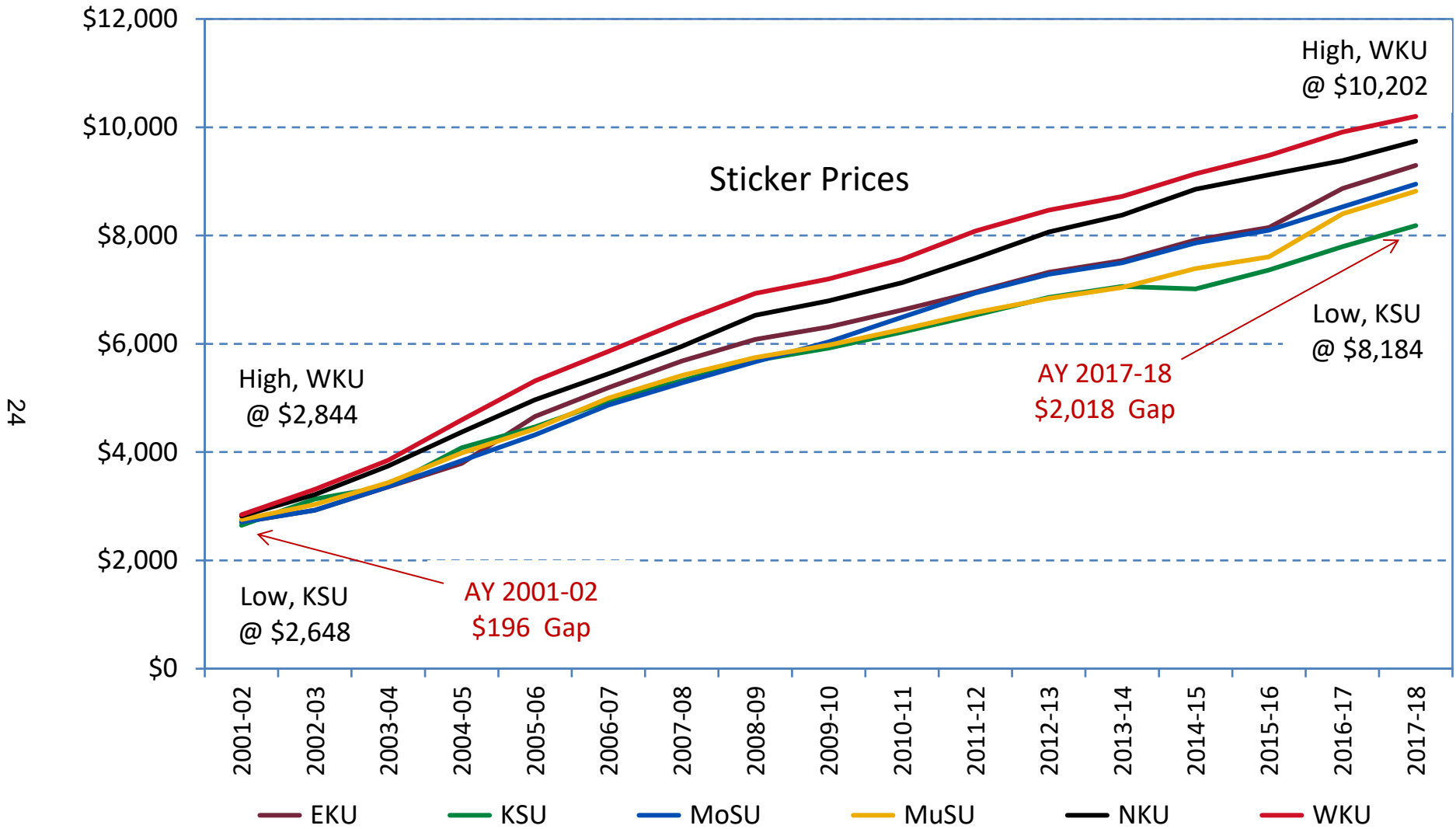
⁵ Institutional Support component distributed based on each institution's share of sector total instruction and student services spending (i.e., share of direct instructional costs).

⁶ Academic Support distributed based on each institution's share of total FTE student enrollment, weighted for differences in cost structures and mission between sectors.

⁷ Figures obtained from Table 1, Column +, in the bottom left corner.

⁸ Figures obtained from Table 1, Column -, in the bottom left corner.

Kentucky Comprehensive University Dispersion in Resident Undergraduate Tuition and Fee Charges Academic Years 2001-02 through 2017-18



Source: Council on Postsecondary Education, Comprehensive Database.

Prices include Special Use Fees.



STRONGER

by degrees



Factors Influencing College Affordability in Kentucky

Aaron Thompson, Executive Vice President
Kentucky Council on Postsecondary Education
October 17, 2017

Overview

- What are some of the major challenges to maintaining college affordability in Kentucky?
- How are policymakers and the postsecondary education community addressing these issues?
- How are we doing? What is the current status of college affordability in Kentucky?

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Challenges to College Affordability

Major Challenges

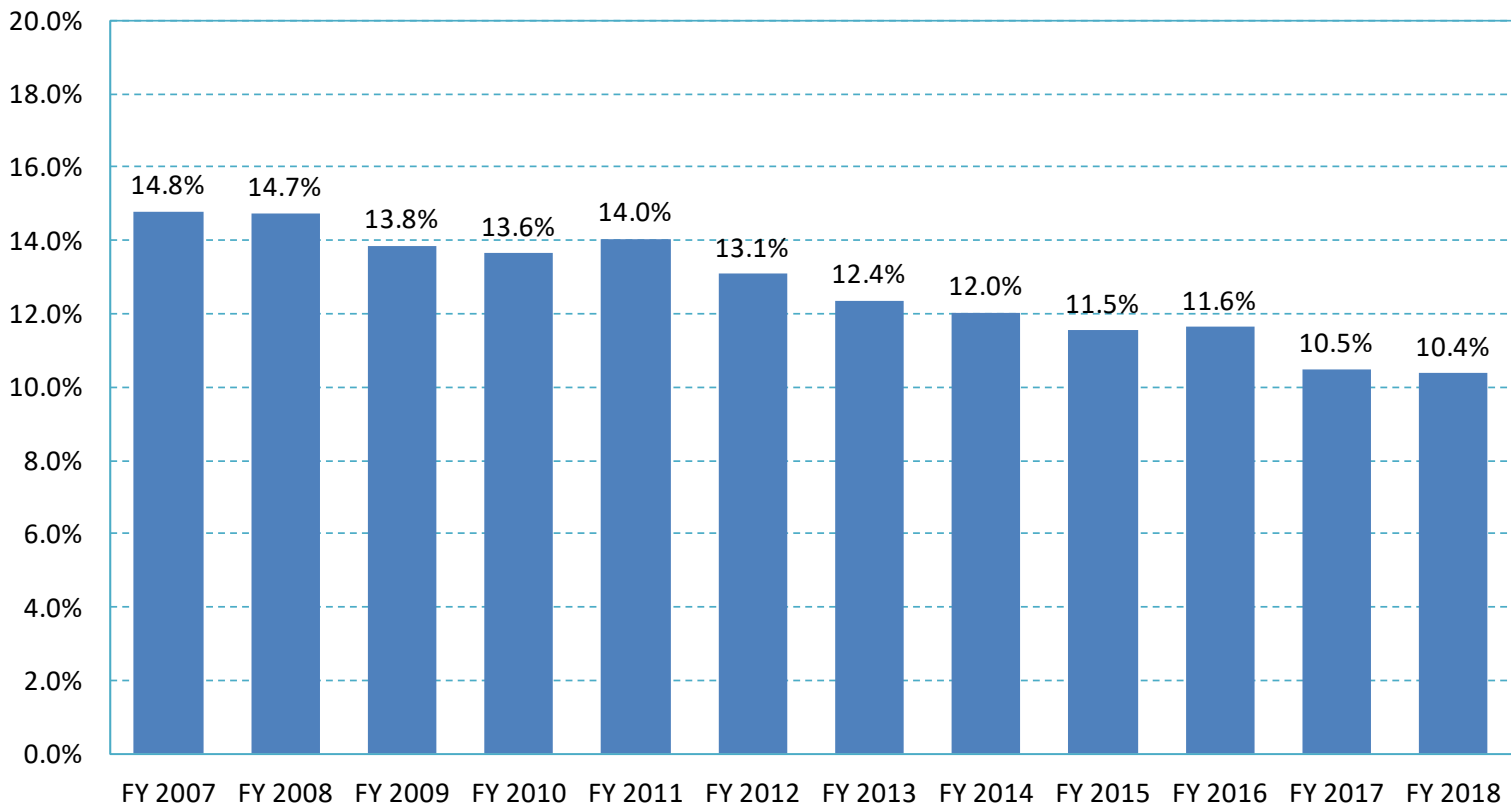
- Over time postsecondary education has become less of a priority in state budgets
- Public colleges and universities have sustained a decade of funding cuts, with no reinvestment in sight
- There has been a shifting of responsibility for M&O and other costs from the state to institutions
- Mandated rate increases have more than doubled KERS employer paid retirement contributions
- The gap between eligible applicant need and funding for state need-based aid programs has widened

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Declining Share of State Budgets

Commonwealth of Kentucky
Postsecondary Education's Share of State General Fund Budgets
Fiscal Years 2006-07 through 2017-18



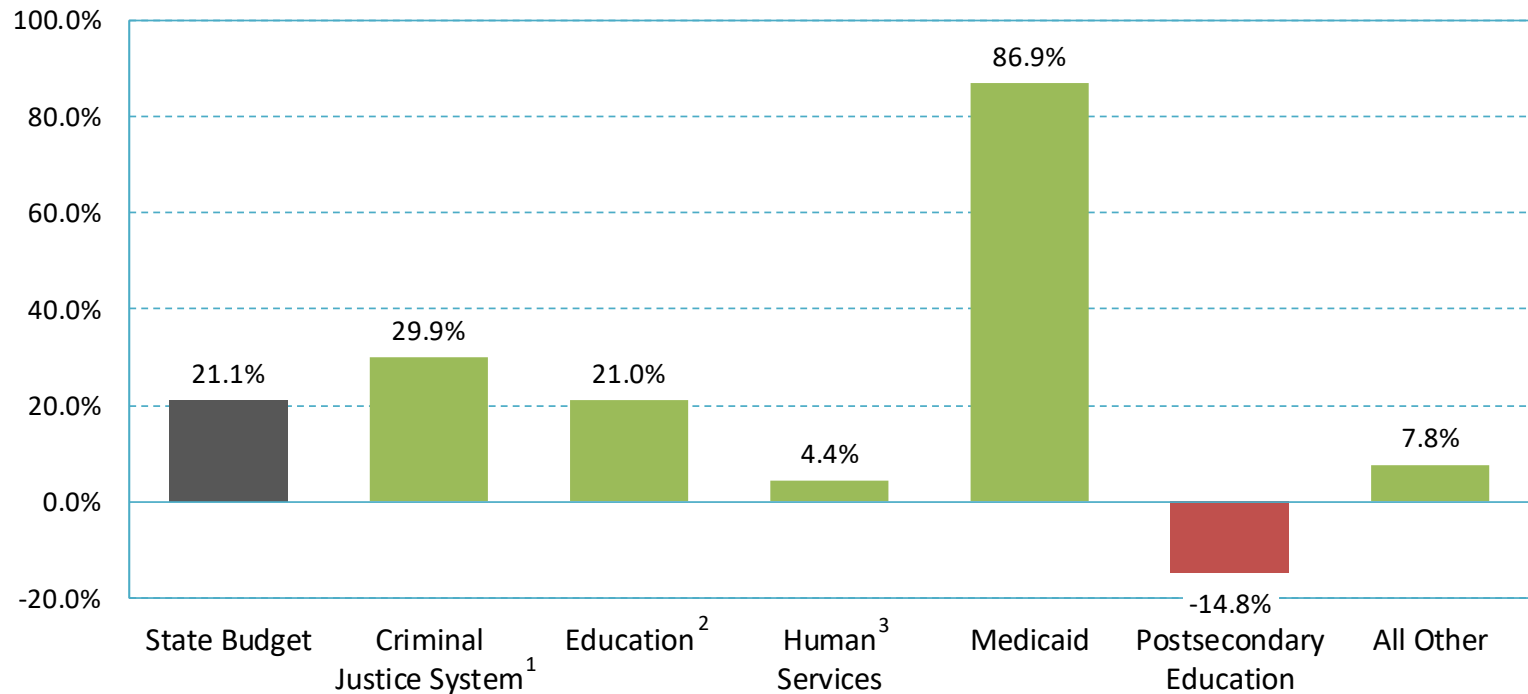
Note: Postsecondary education includes regular appropriations for KHEAA, CPE, and public postsecondary institutions.

Source: Kentucky Budgets of the Commonwealth, various years.



Focus on Other Priorities

Commonwealth of Kentucky
 Change in State General Fund Appropriations
 Between Fiscal Years 2007-08 and 2017-18



¹ Criminal Justice includes the Unified Prosecutorial System, Justice and Public Safety Cabinet, and the Judicial Branch.

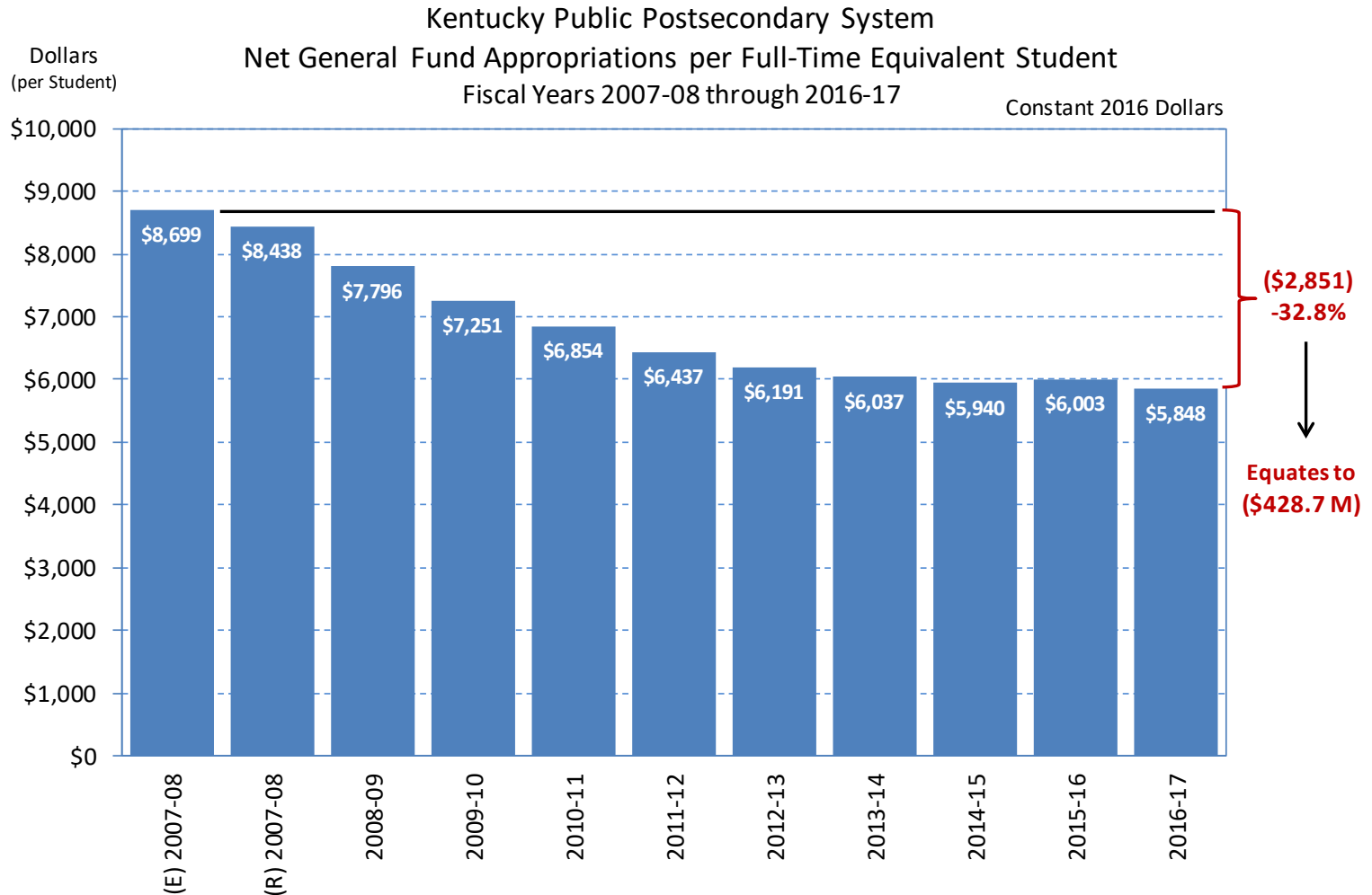
² Education includes the Department of Education, Teachers' Retirement System, School Facilities Construction Commission, and Education Professional Standards board.

³ Human Services includes the Health and Family Services Cabinet (net of Medicaid).

Source: Kentucky Budgets of the Commonwealth, various years.



Decade of Funding Cuts



13

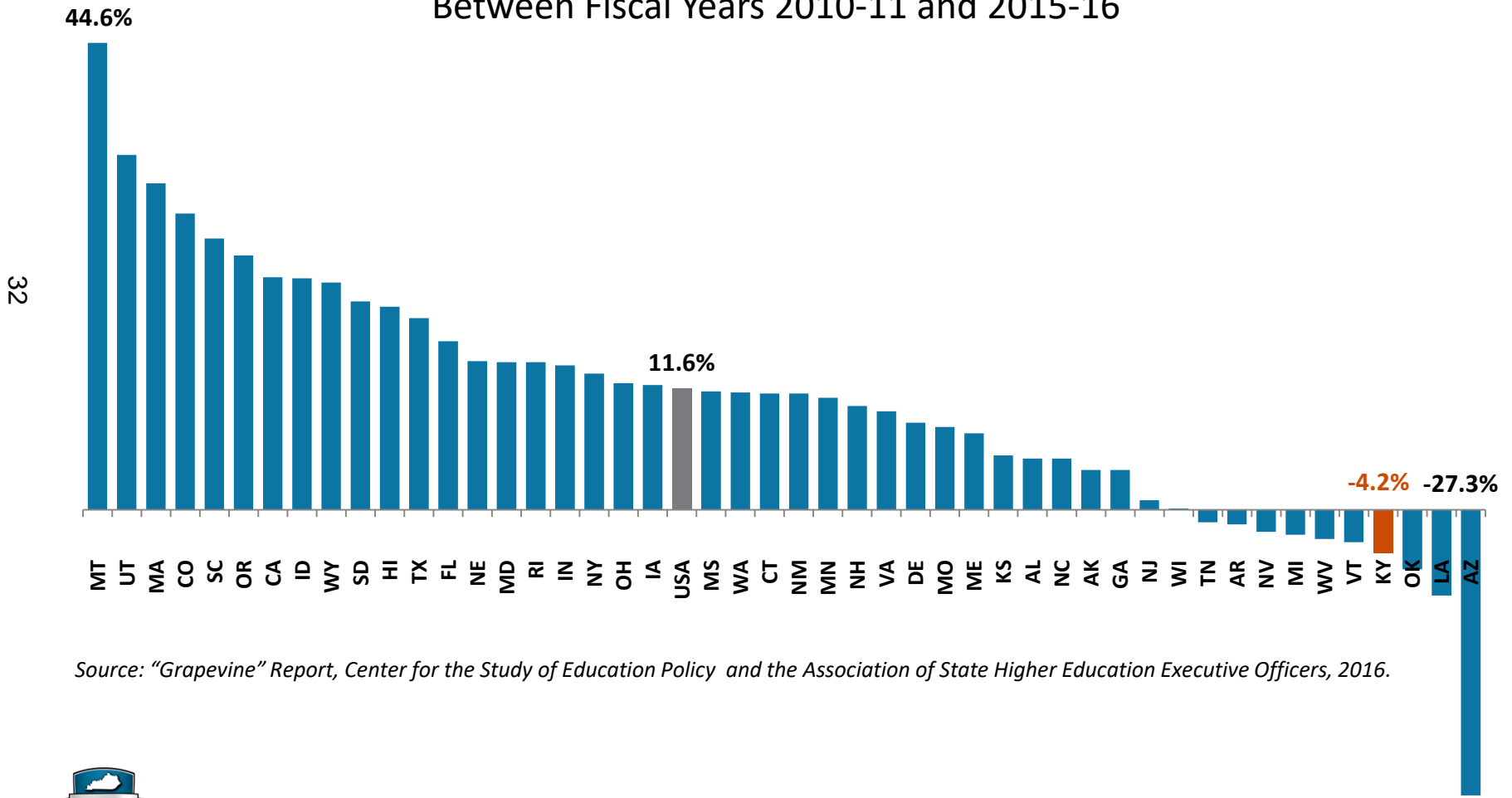


(E) = Enacted; (R) = Revised.

Sources: Kentucky Budget of the Commonwealth, multiple biennia; Commonfund Institute, HEPI; CPE, Comprehensive Database.

Most States Reinvesting

Change in State Support for Higher Education
Between Fiscal Years 2010-11 and 2015-16



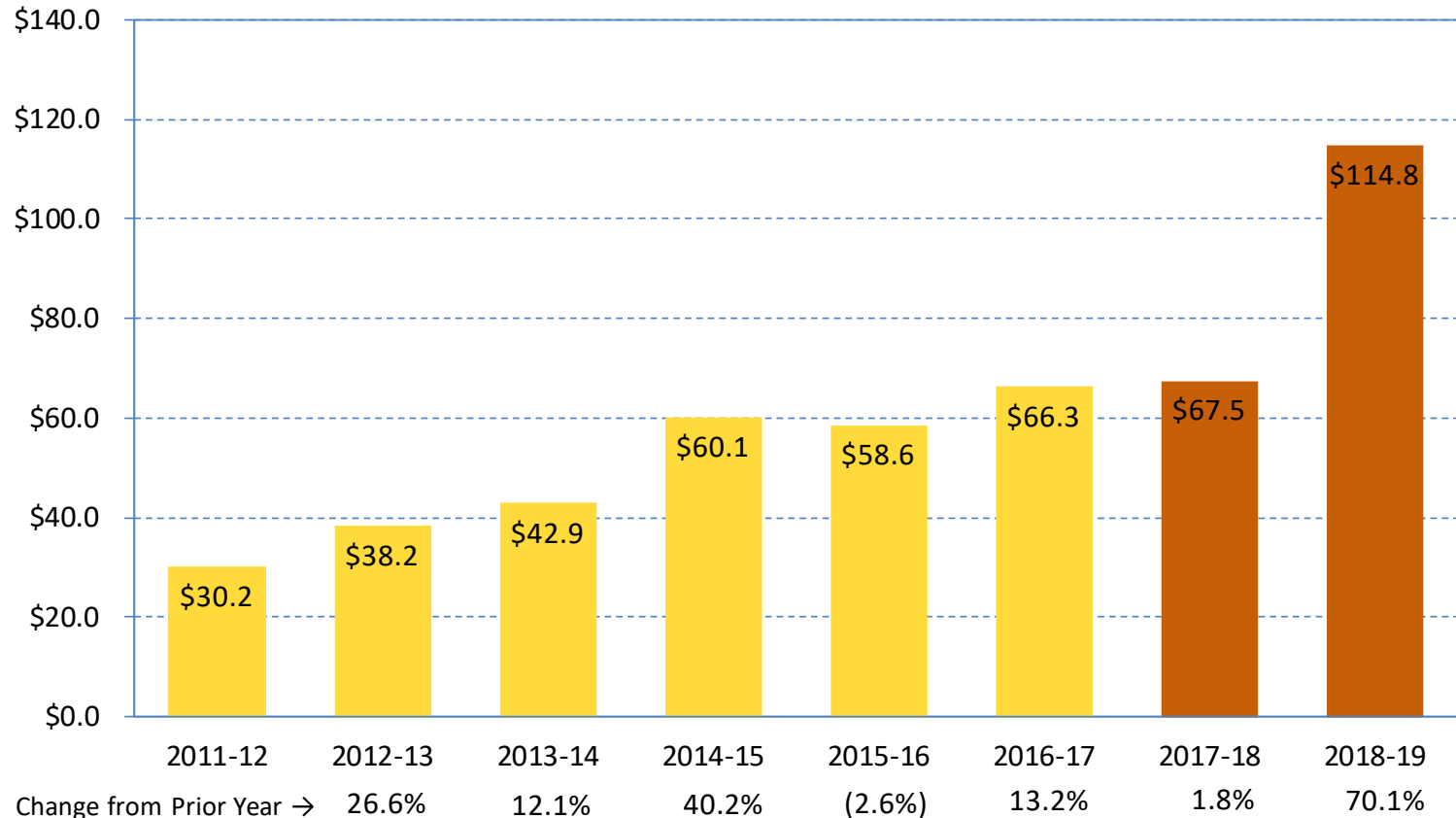
Source: "Grapevine" Report, Center for the Study of Education Policy and the Association of State Higher Education Executive Officers, 2016.



Growth in KERS Contributions

Public Comprehensive University and KCTCS Institution
 Kentucky Employees Retirement System (KERS) Employer Contributions
 Fiscal Years 2011-12 through 2018-19

Dollars
 (In Millions)



■ Kentucky Employees Retirement System Data

■ Office of State Budget Director Estimates

Sources: Kentucky Retirement System; Office of State Budget Director.



Increasing Unmet Need

Need-Based Aid Funding (CAP & KTG) FY 2006 - FY 2014



- Additional Unmet Need
- Difference between Statutory & Appropriation for CAP & KTG
- Appropriation Amount



Efforts to Maintain Affordability

Affordability Efforts

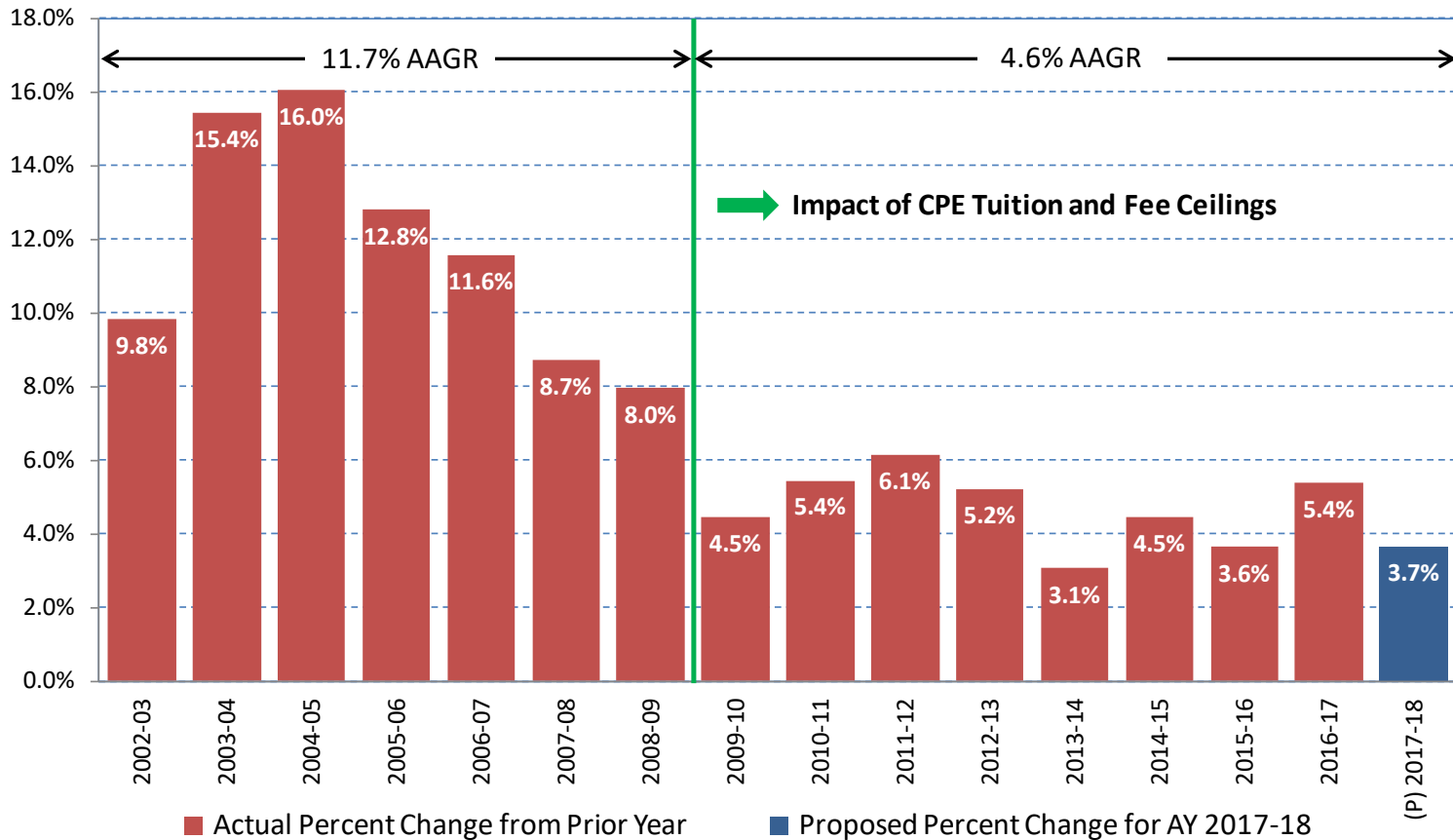
- Every year since 2009-10, the Council has adopted tuition ceilings that limit magnitude of increases
- Institutions have not been allowed to fully recover losses in state support and mandated cost increases
- Sizable state investment in student aid programs
- Institutions have increased funding for campus-based student aid programs
- Efforts to encourage timely completion, such as 15 to Finish and dual credit enrollment initiatives

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Impact of Tuition Ceilings

Kentucky Public Postsecondary System
 Annual Change in Resident Undergraduate Tuition and Fees
 Academic Years 2002-03 through 2017-18 (Proposed)



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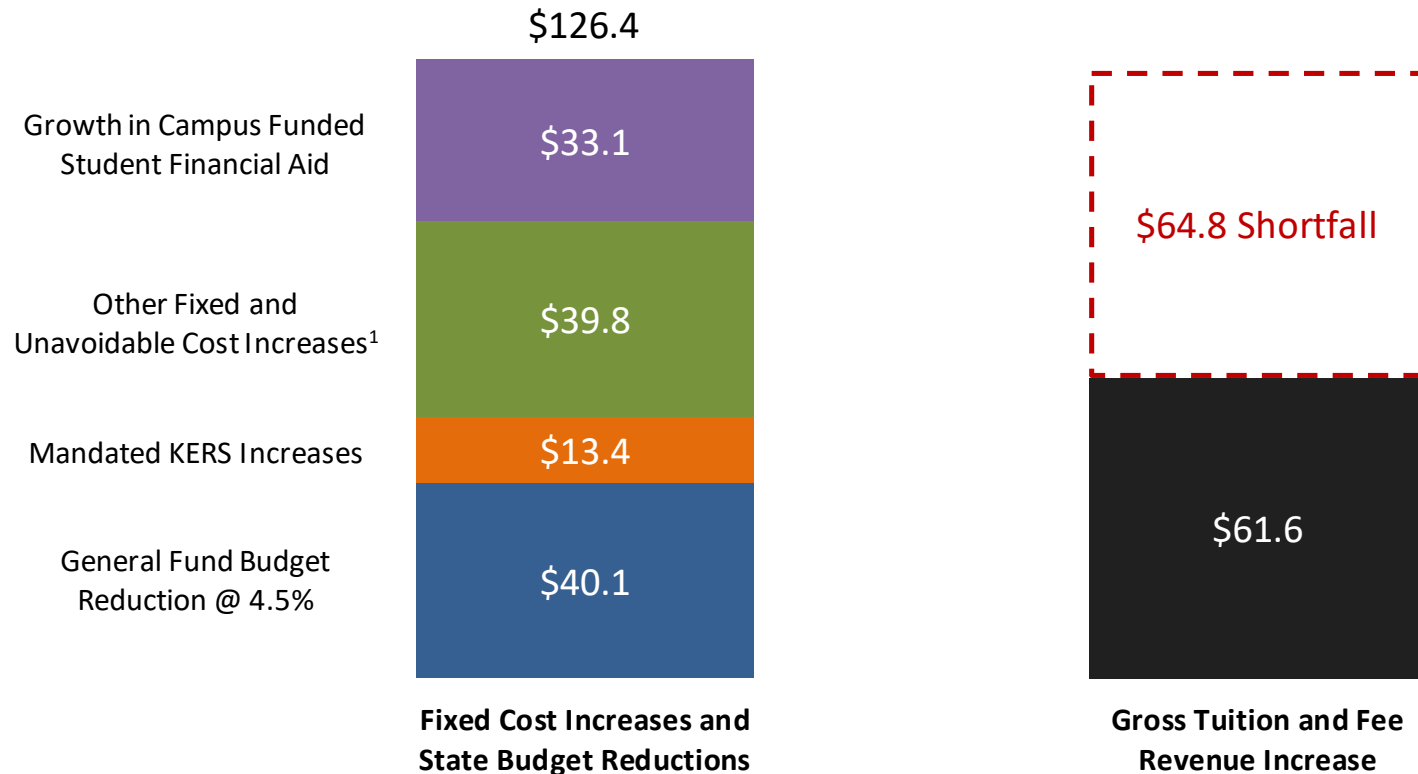


Source: Council on Postsecondary Education, Comprehensive Database.

P = Proposed
 AAGR = Average Annual Growth Rate

Budgetary Shortfalls

Budget Challenges for Postsecondary Institutions Fiscal Year 2016-17 (Dollars in Millions)



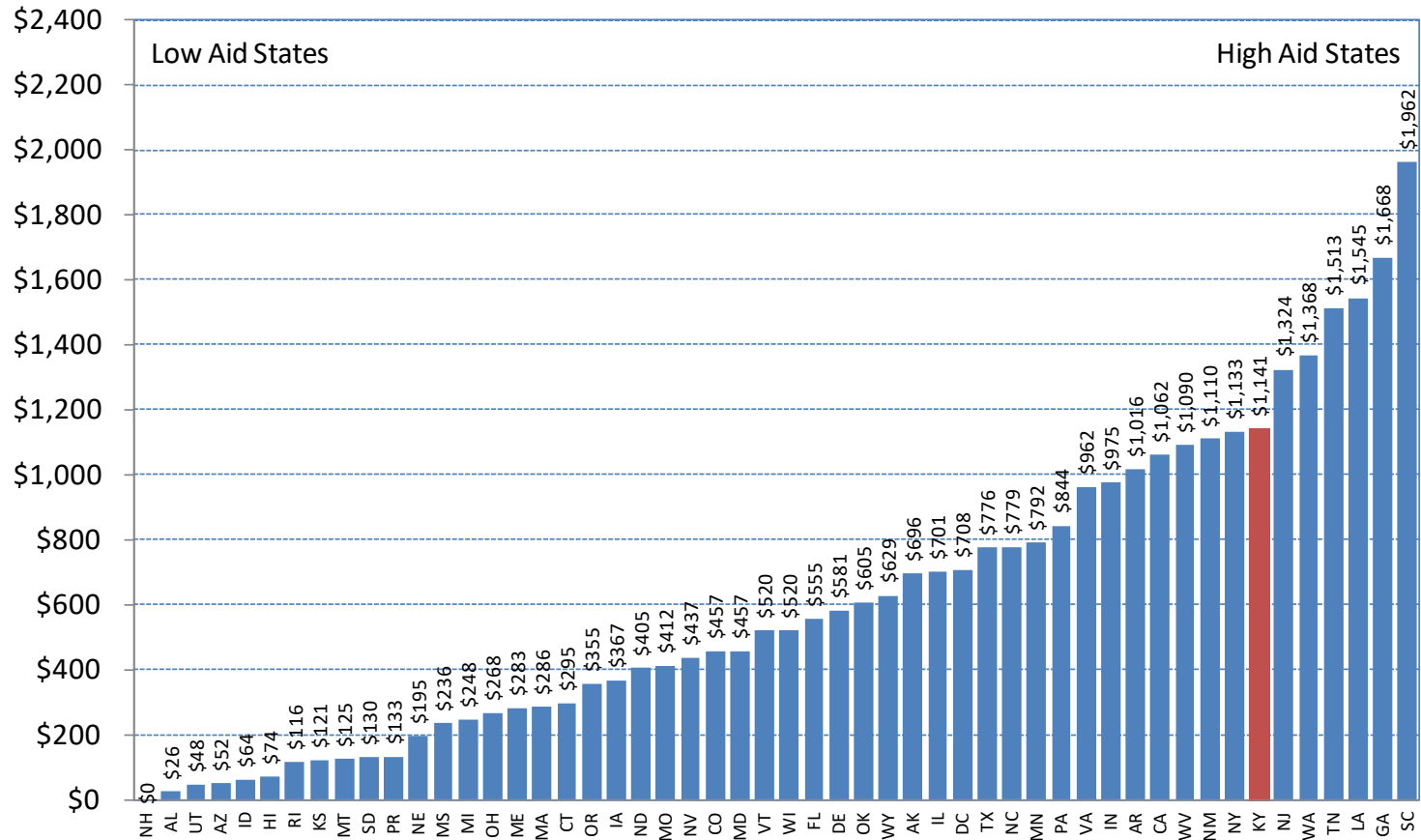
¹ Includes M&O, utilities, health insurance, mandated tuition waiver, and contractual obligation cost increases.
Source: Council on Postsecondary Education, Comprehensive Database.



Kentucky is "High Aid" State

State Funded Student Financial Aid Programs in the United States
 Total Undergraduate Grant Dollars per Undergraduate Student Enrollment
 Academic Year 2014-15

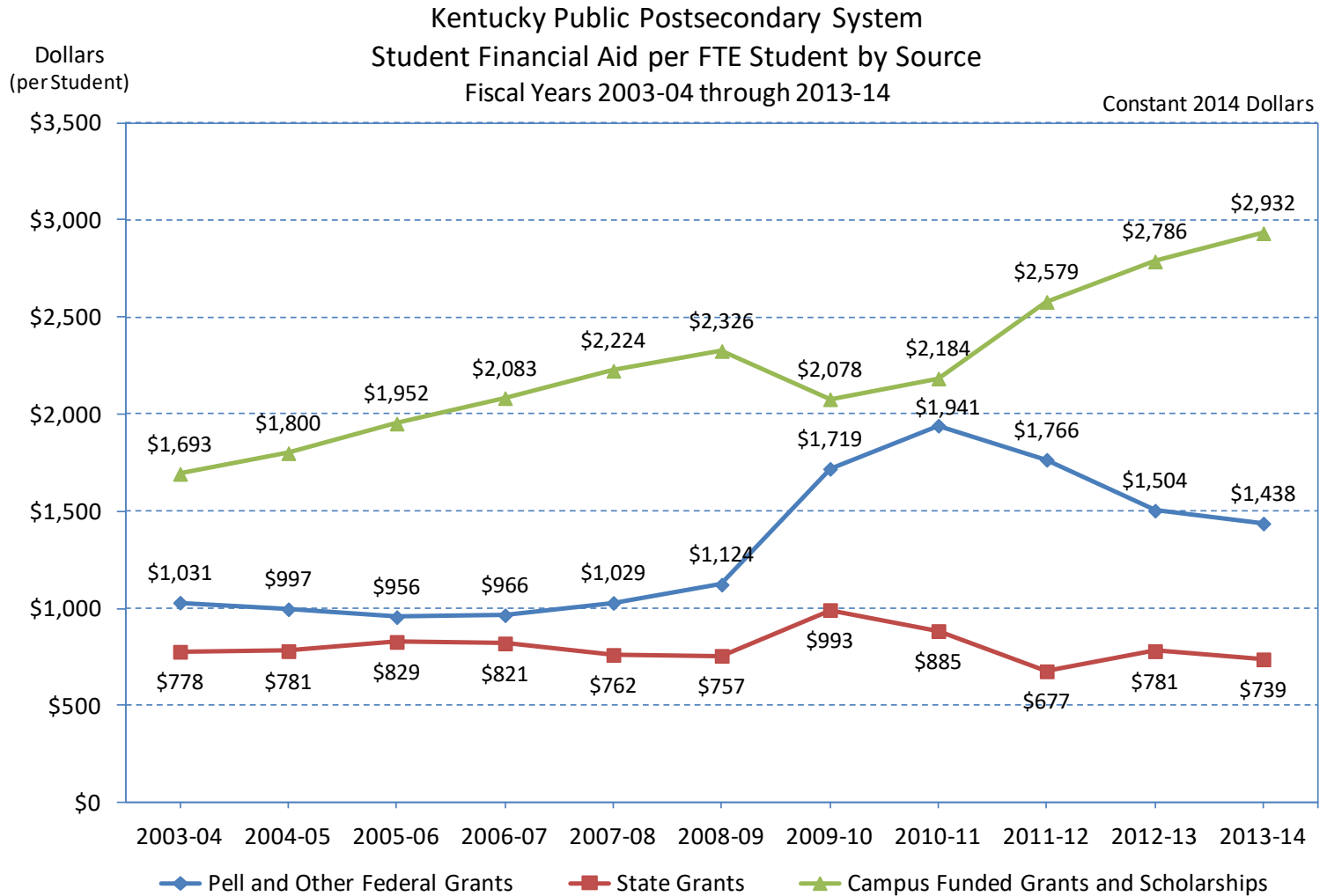
Dollars
 (per Student)



Source: National Association of State Student Grant and Aid Programs (NASSGAP), 46th Annual Survey Report on State-Sponsored Student Financial Aid.



Growth in Campus-Based Aid



Source: Integrated Postsecondary Education Data System (IPEDS); Commonfund Institute, Higher Education Price Index (HEPI).





Current Status of College Affordability

Current Status

- Sticker prices at Kentucky public universities rank at or below regional and national averages
- Sticker prices at KCTCS are high regionally due to lack of local appropriations and below average state support
- The nine-year change in sticker price at KCTCS is among the lowest regionally and nationally
- The average net price at Kentucky comprehensive universities is among the lowest in our region and has not increased in recent years

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Current Status (Cont'd)

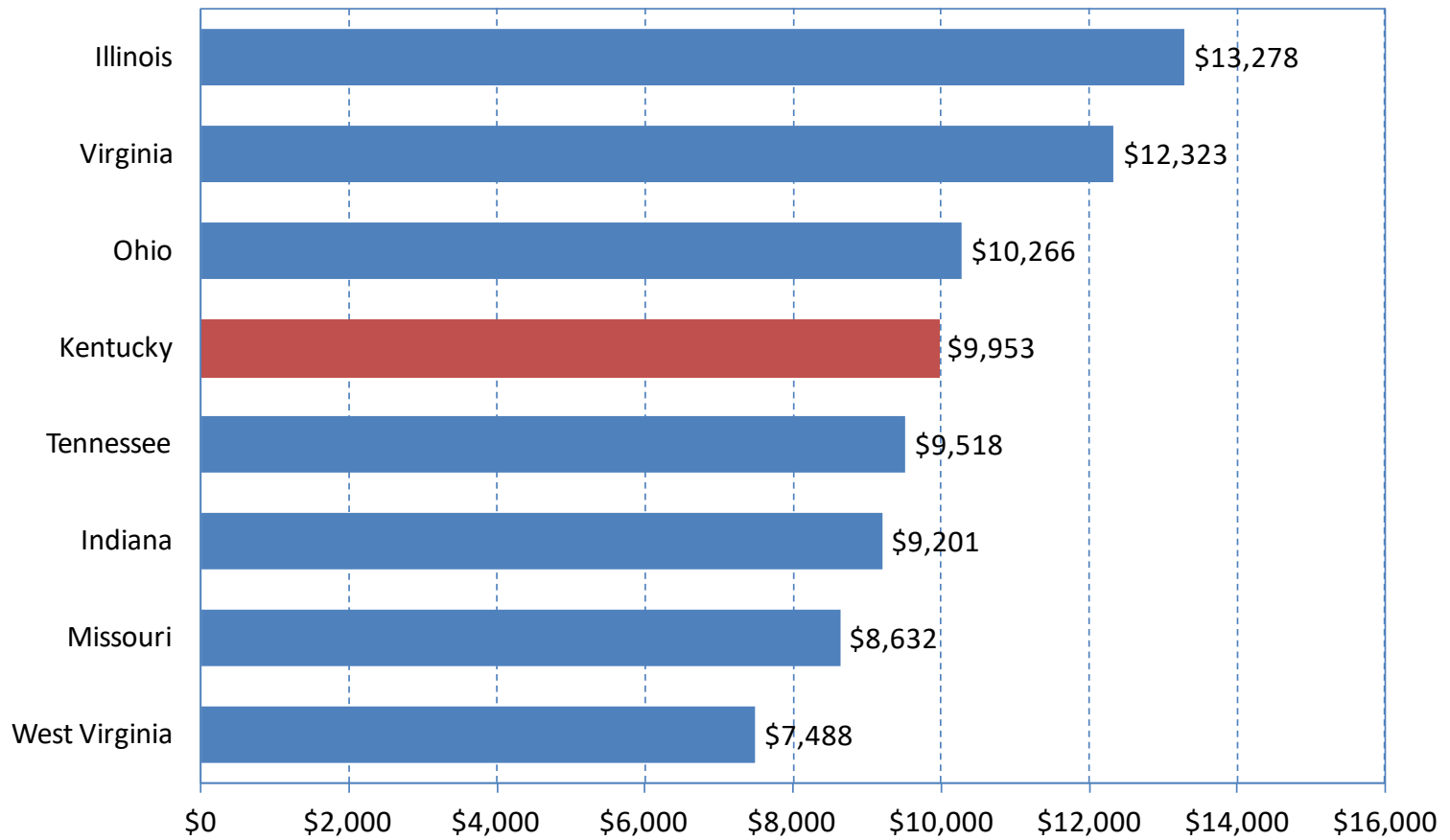
- At KCTCS, grant aid per FTE covers the cost of tuition, fees, and books for all but highest income quartiles
- Kentucky students pay a smaller percentage of family income to attend public colleges and universities than students in most SREB member states
- Since the early 2000s, responsibility for college costs has shifted from the state to students and families
- Average amounts of student loan debt have been trending upward since the graduating class of 2008

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Sticker Price Comparison (Four-Year)

Public Four-Year Universities in Kentucky and Surrounding States
Resident Undergraduate Tuition and Fees
Academic Year 2016-17



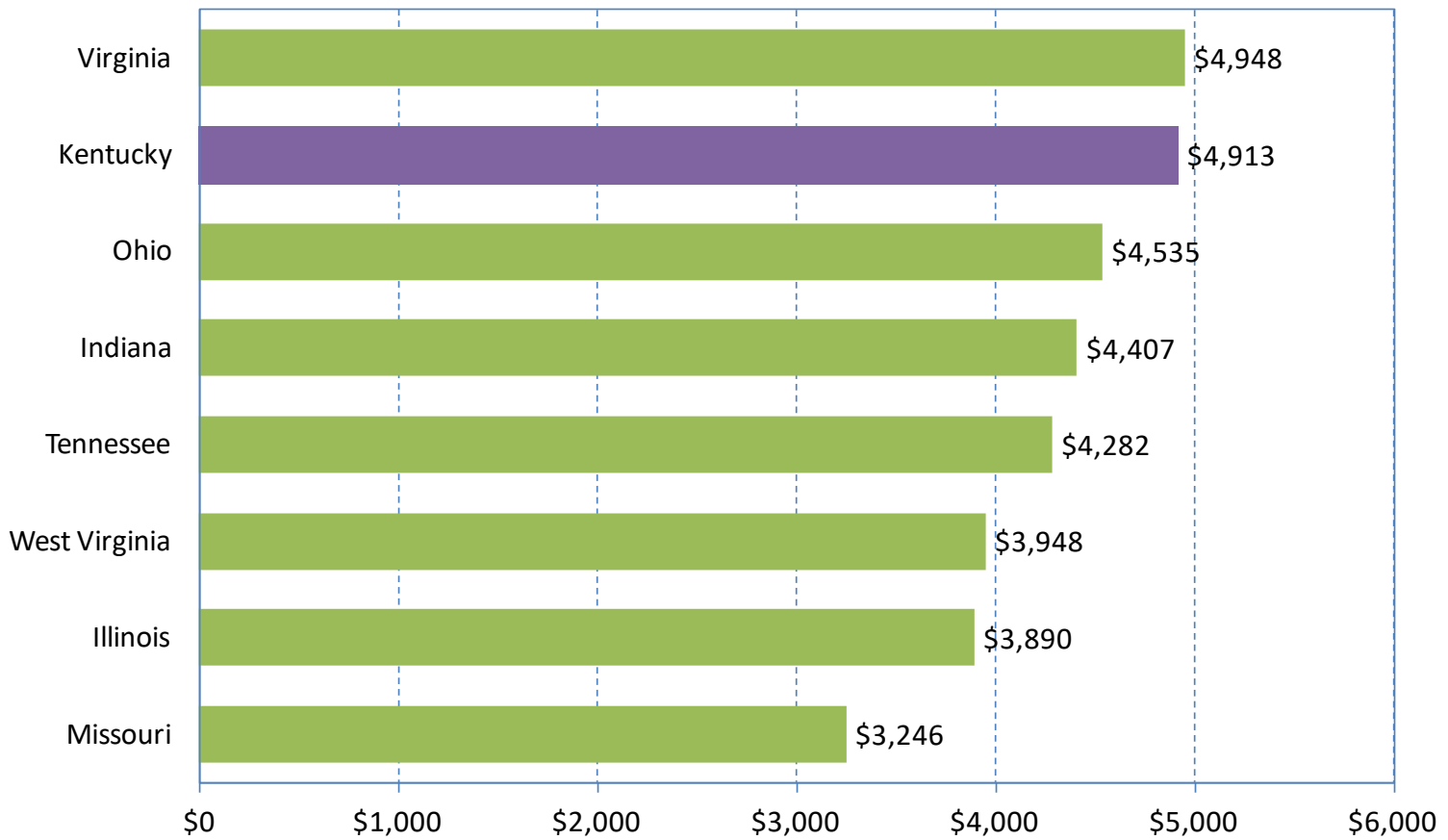
44



Source: College Board, Trends in College Pricing 2016.

Sticker Price Comparison (Two-Year)

Public Two-Year Colleges in Kentucky and Surrounding States
Resident In-District Tuition and Fees
Academic Year 2016-17

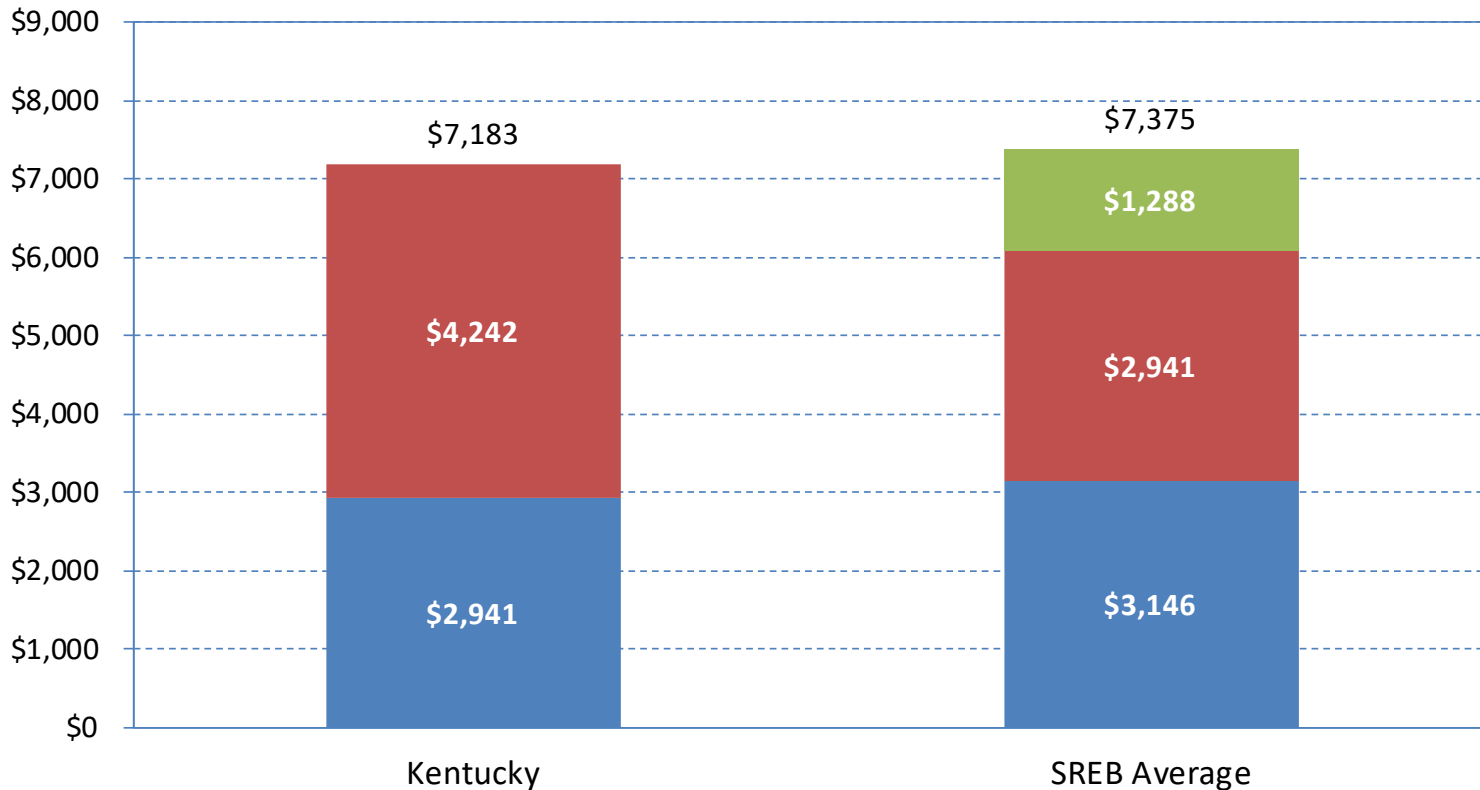


Source: College Board, Trends in College Pricing 2016.



No Local Funding (KCTCS)

Public Two-Year Colleges in Kentucky and SREB Member States
Total Public Funds per Full-Time Equivalent Student
Fiscal Year 2014-15



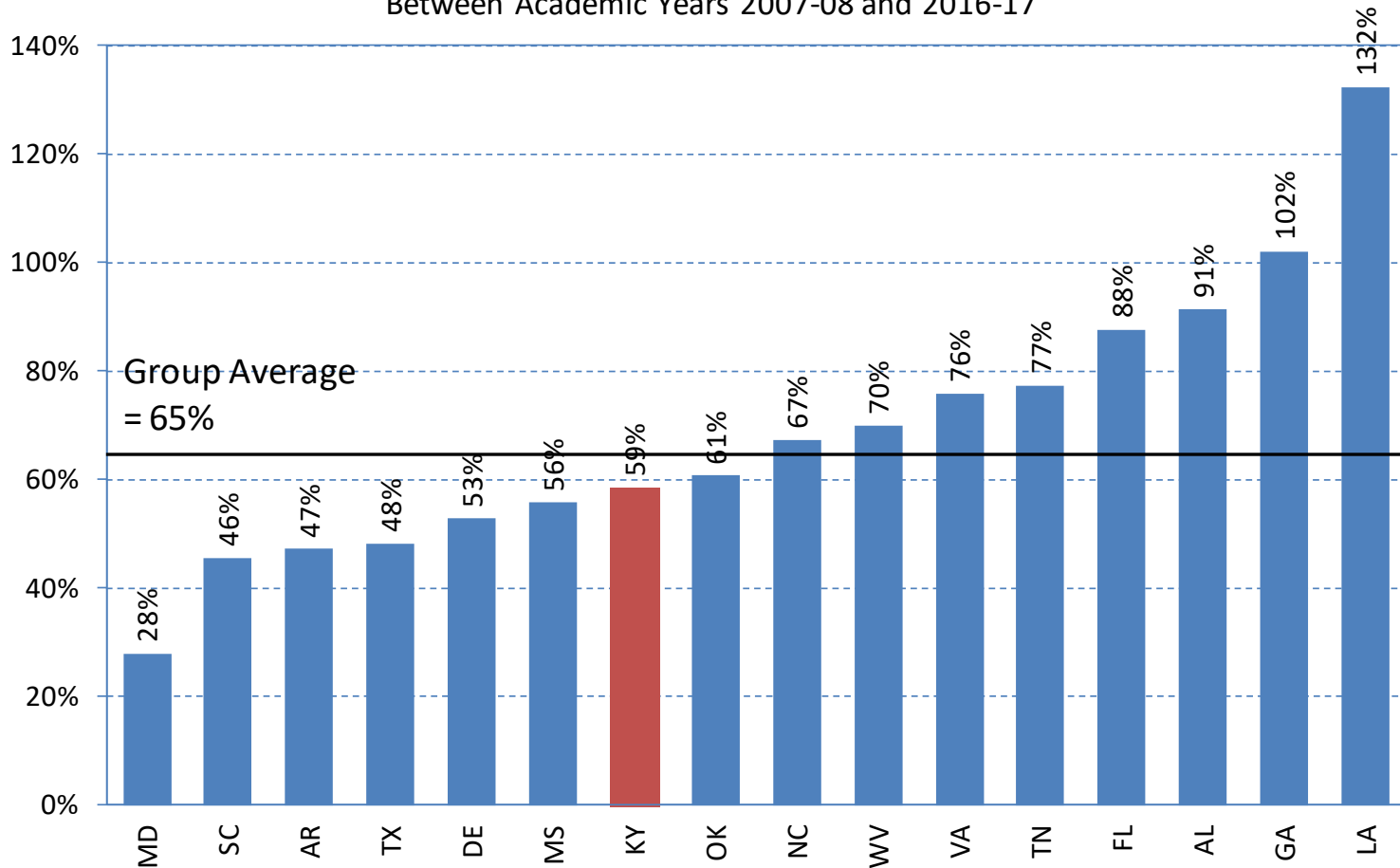
■ State General Purpose Funds ■ Net Tuition and Fee Revenue ■ Local Appropriations



Source: Southern Regional Education Board (SREB), Data Exchange.

Change in Sticker Price (Four-Year)

Public Four-Year Universities in SREB Member States
Percent Change in Resident Undergraduate Tuition and Fees
Between Academic Years 2007-08 and 2016-17

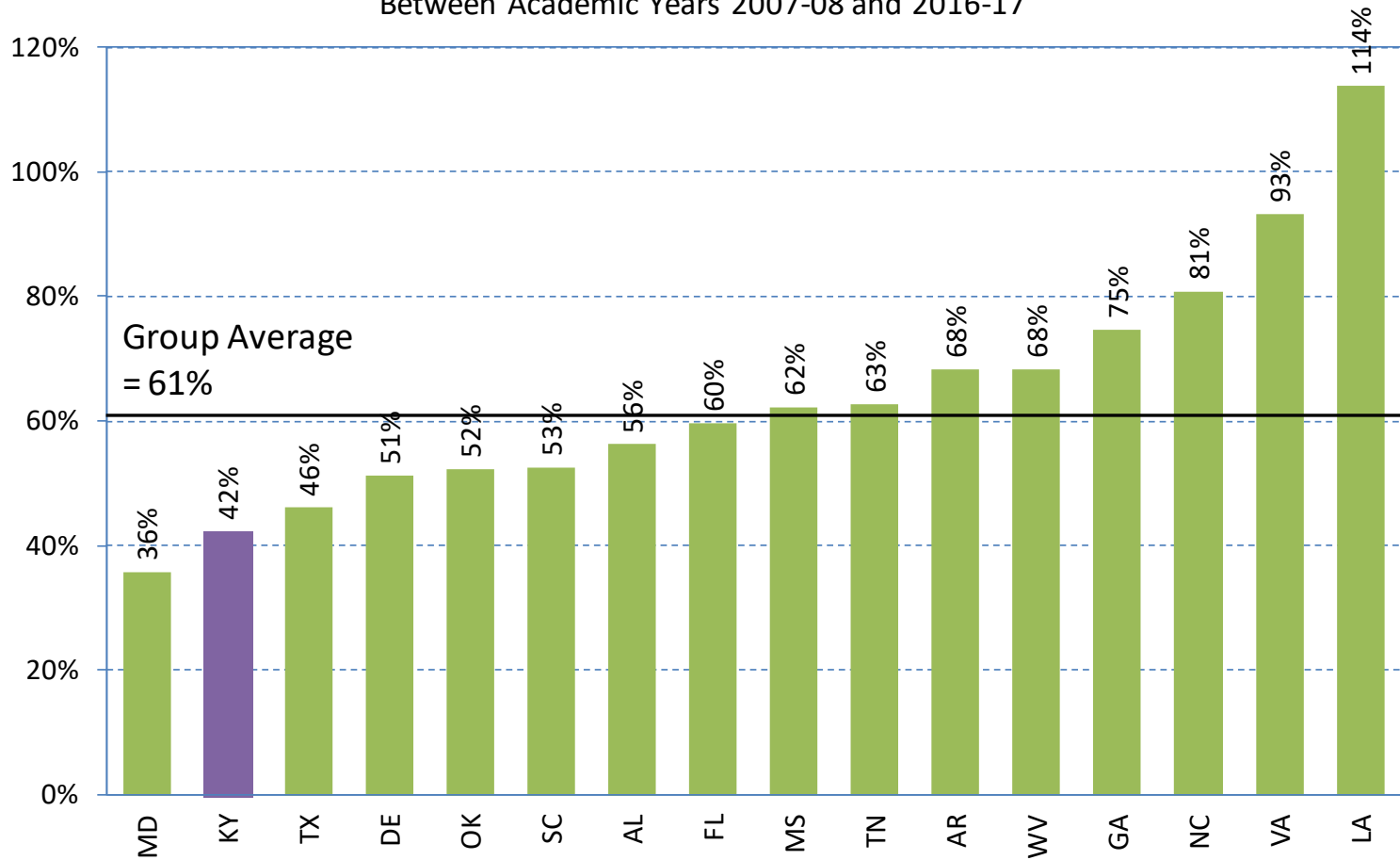


Source: College Board, Trends in College Pricing 2016.



Change in Sticker Price (Two-Year)

Public Two-Year Colleges in SREB Member States
Percent Change in Resident In-District Tuition and Fees
Between Academic Years 2007-08 and 2016-17

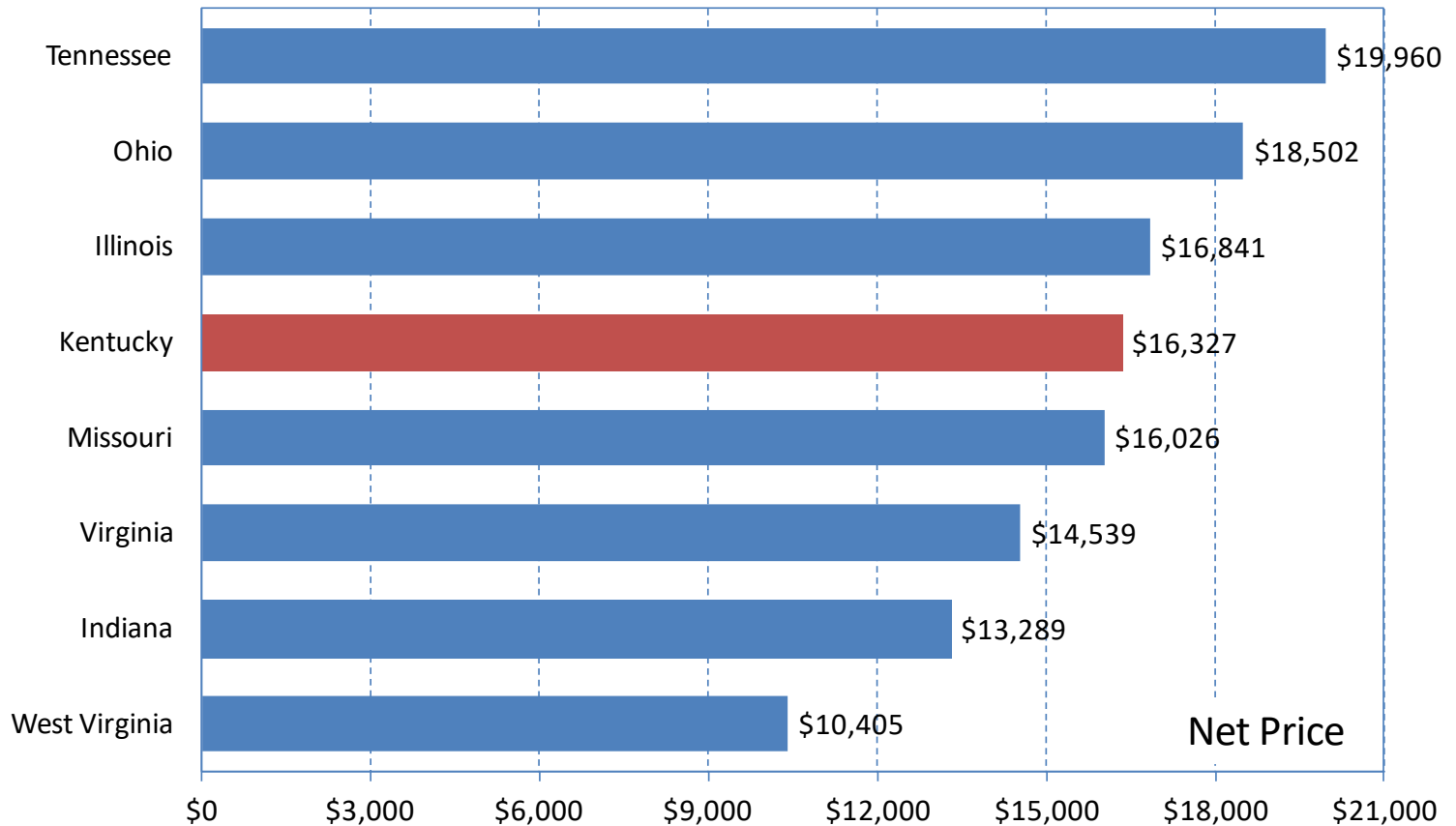


Source: College Board, Trends in College Pricing 2016.



Net Price Comparison (Research)

Research Universities in Kentucky and Surrounding States
Average Net Price of First-Time Full-Time Resident Undergraduate Students
Academic Year 2014-15

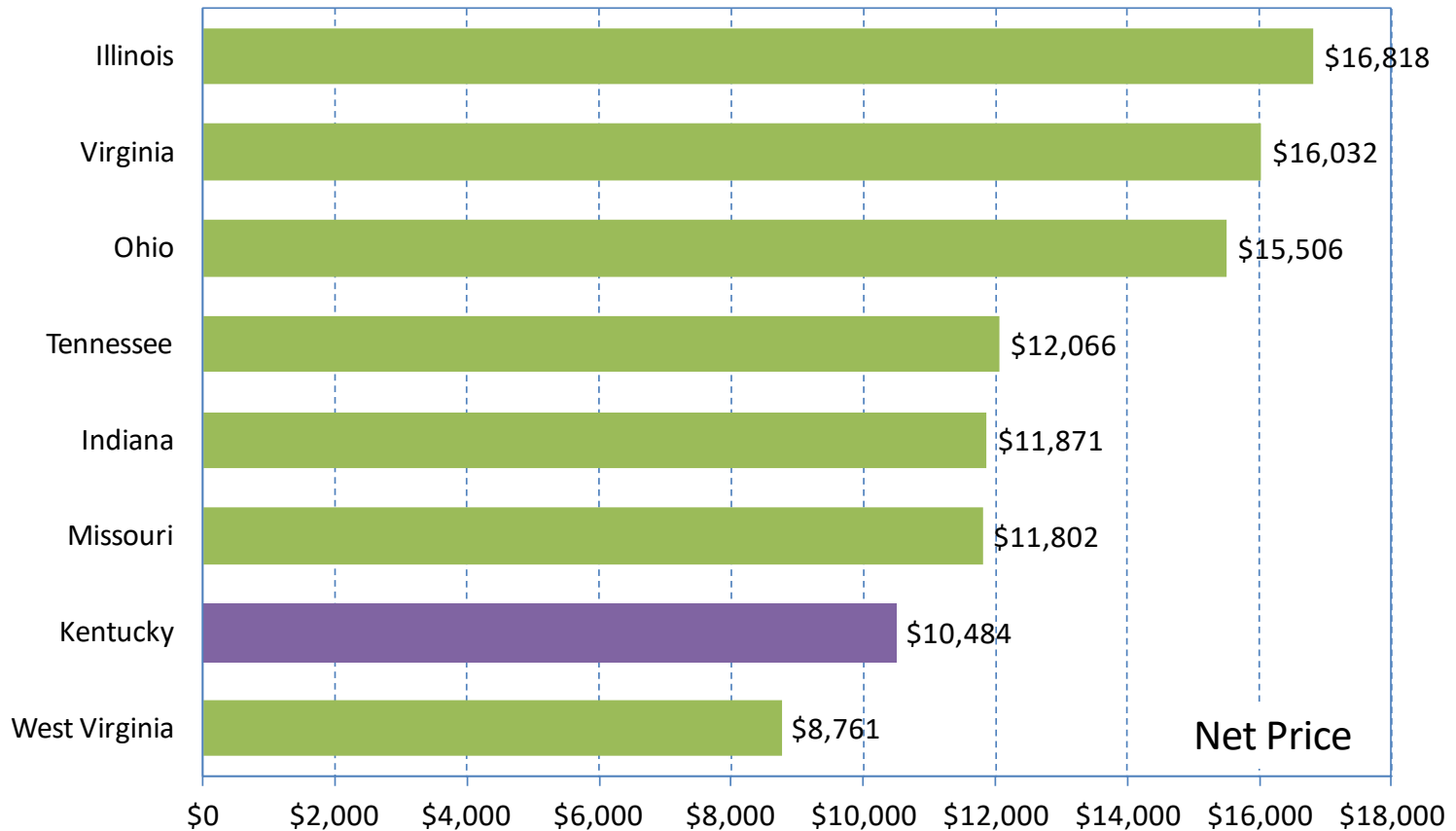


Source: Integrated Postsecondary Education Data System (IPEDS).



Net Price Comparison (Comprehensive)

Comprehensive Universities in Kentucky and Surrounding States
Average Net Price of First-Time Full-Time Resident Undergraduate Students
Academic Year 2014-15

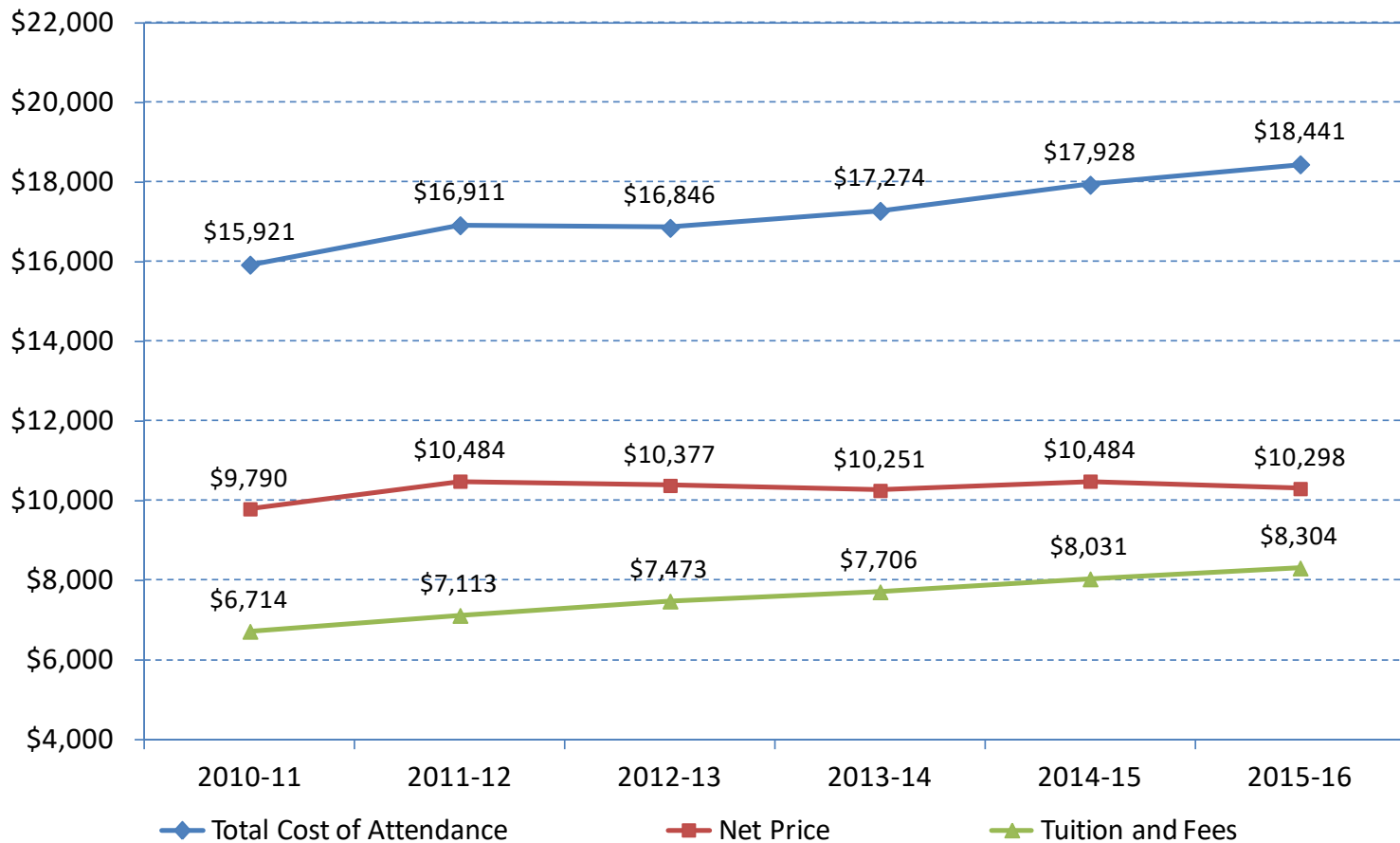


Source: Integrated Postsecondary Education Data System (IPEDS).



Trend in Net Price (Comprehensive)

Kentucky Public Comprehensive University
 Cost of Attendance, Net Price, and Tuition and Fees of Resident Undergraduates
 Academic Years 2010-11 through 2015-16



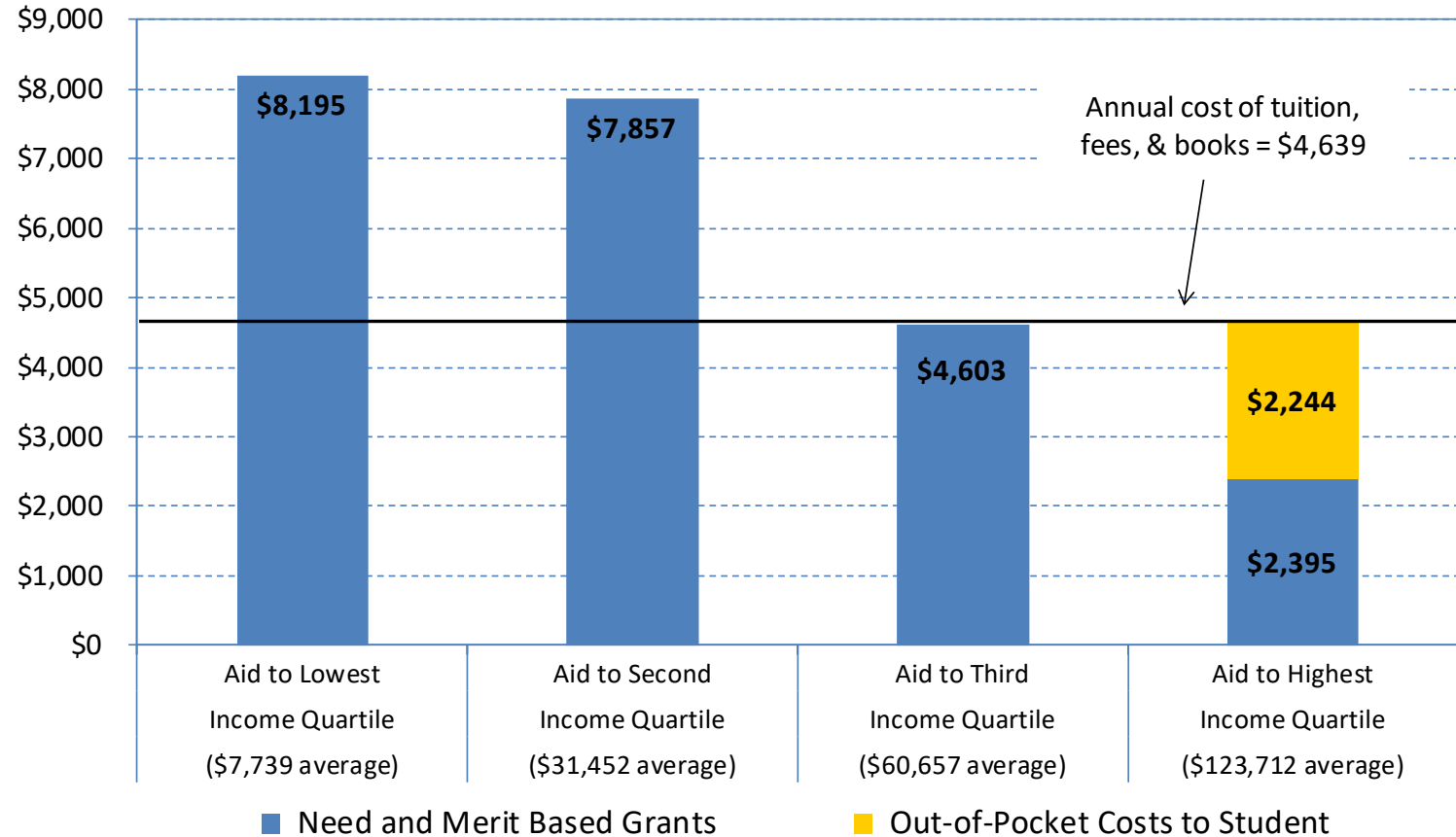
51



Source: Council on Postsecondary Education, Kentucky Postsecondary Education Data System (KPEDS).

Grant Aid versus Costs (KCTCS)

Kentucky Community and Technical College System
 Average Need and Merit Based Grant Aid per Full-Time Resident Undergraduate Student
 Dollars (per Student)
 Academic Year 2015-16

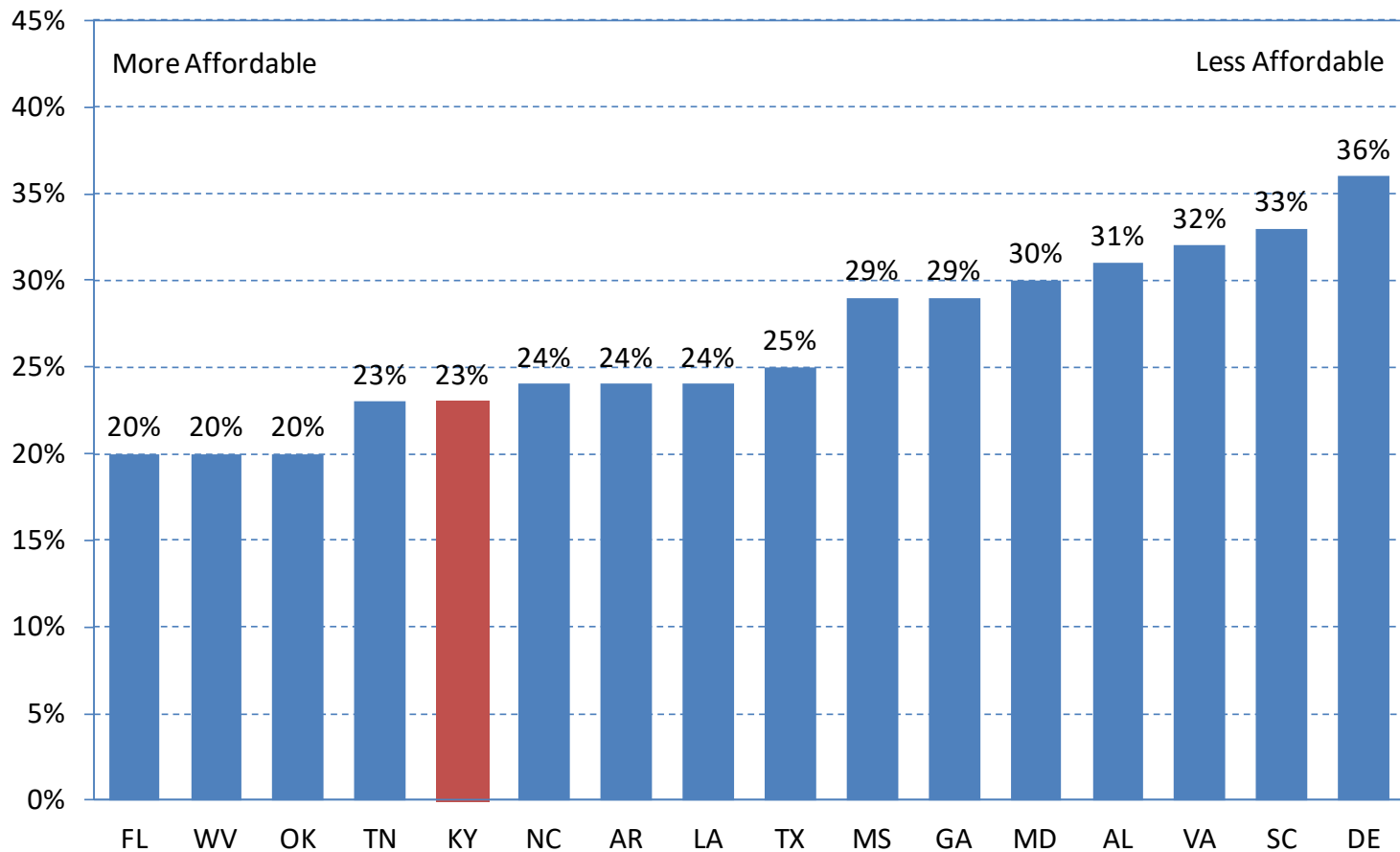


Sources: CPE Comprehensive Database; Integrated Postsecondary Data System.



Net Price % of Income (Four-Year)

Public Four-Year Colleges in SREB Member States
Average Net Price as a Percent of Median Family Income
Academic Year 2013-14



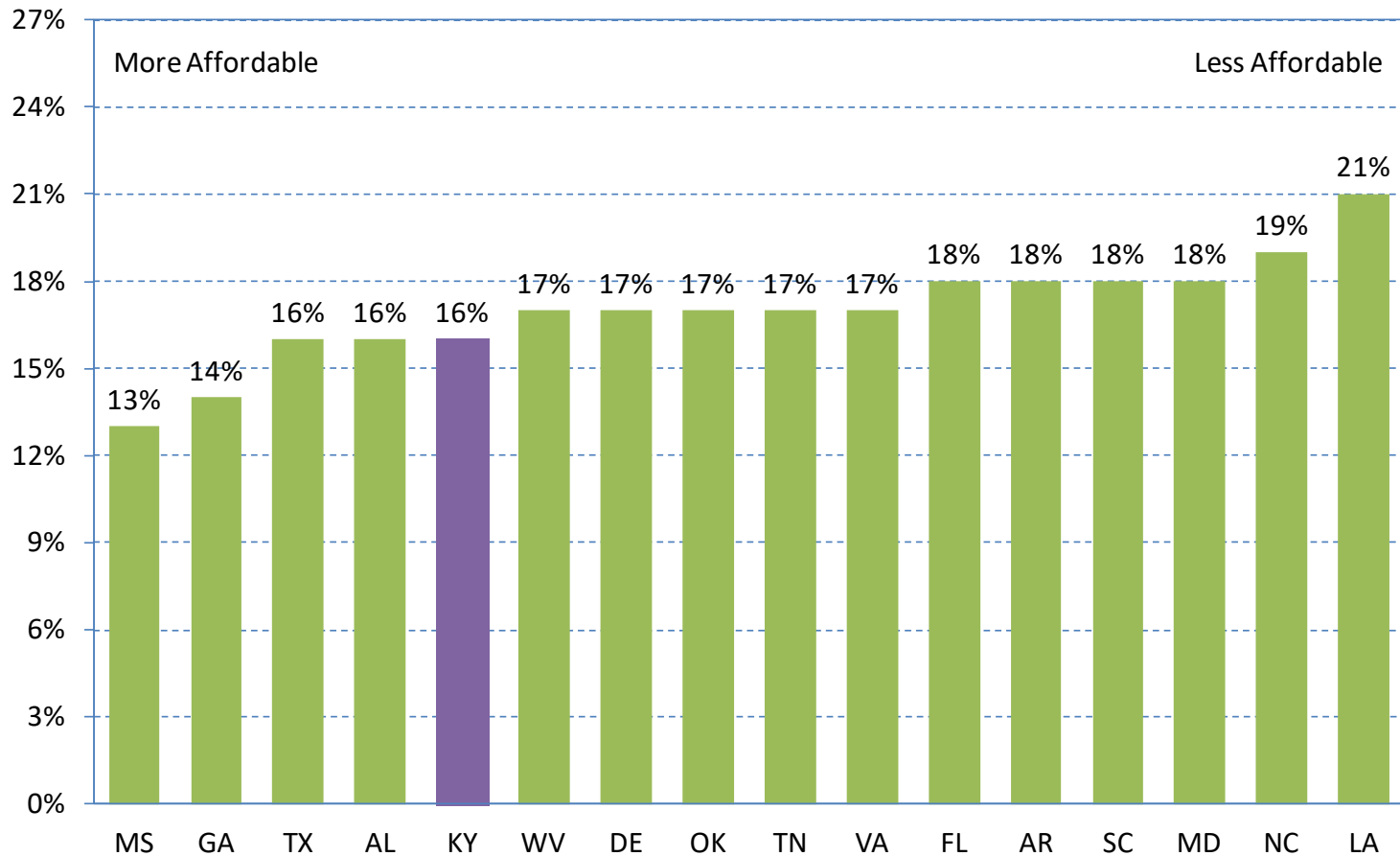
53



Source: Penn Graduate School of Education, Institute for Research on Higher Education, 2016 College Affordability Diagnosis.

Net Price % of Income (Two-Year)

Public Two-Year Colleges in SREB Member States
Average Net Price as a Percent of Median Family Income
Academic Year 2013-14



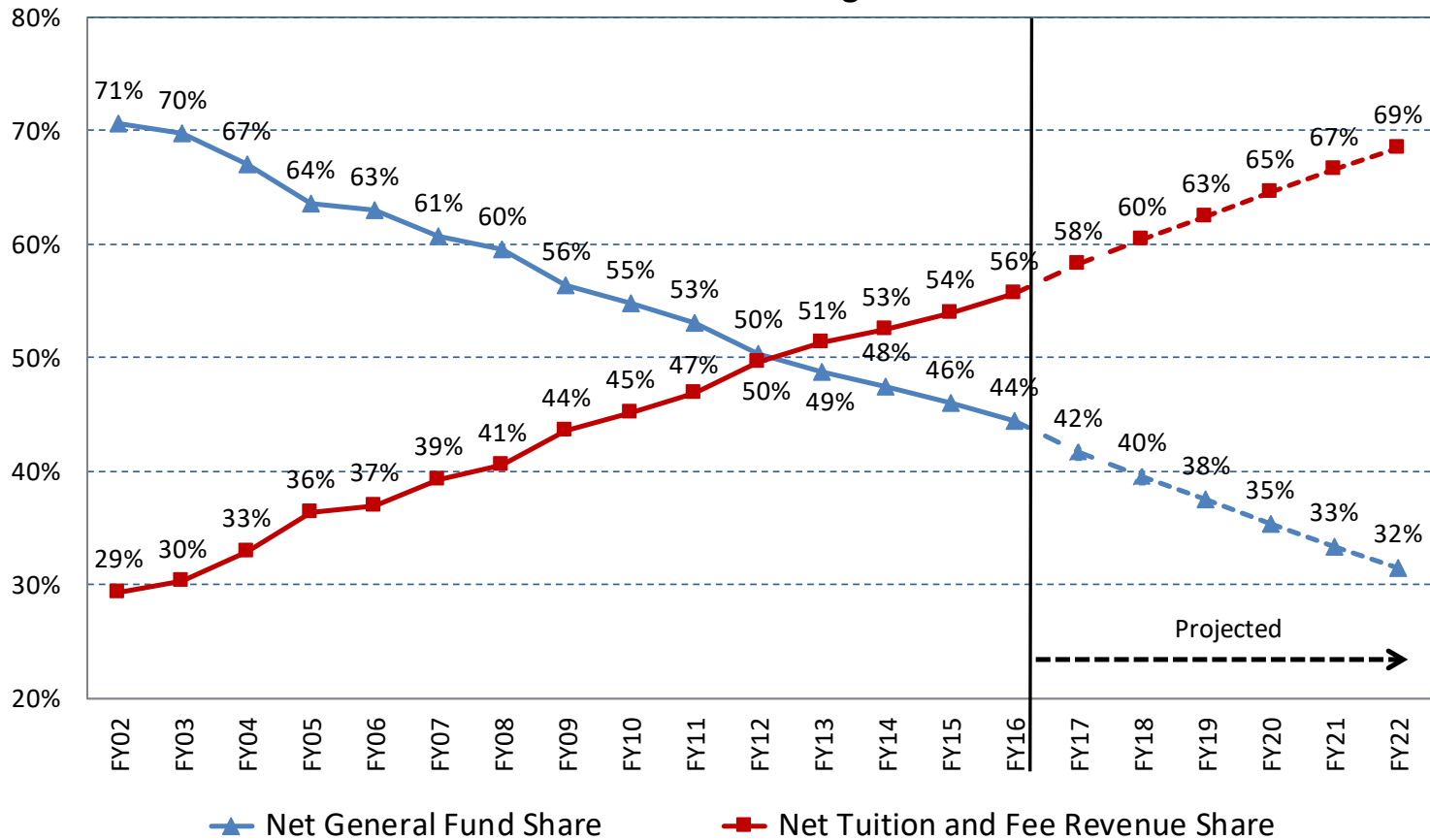
54



Source: Penn Graduate School of Education, Institute for Research on Higher Education, 2016 College Affordability Diagnosis.

Shifting of Responsibility (Who Pays)

Kentucky Public Postsecondary System
 Change in State and Student Shares of Total Public Funds
 Fiscal Years 2001-02 through 2021-22



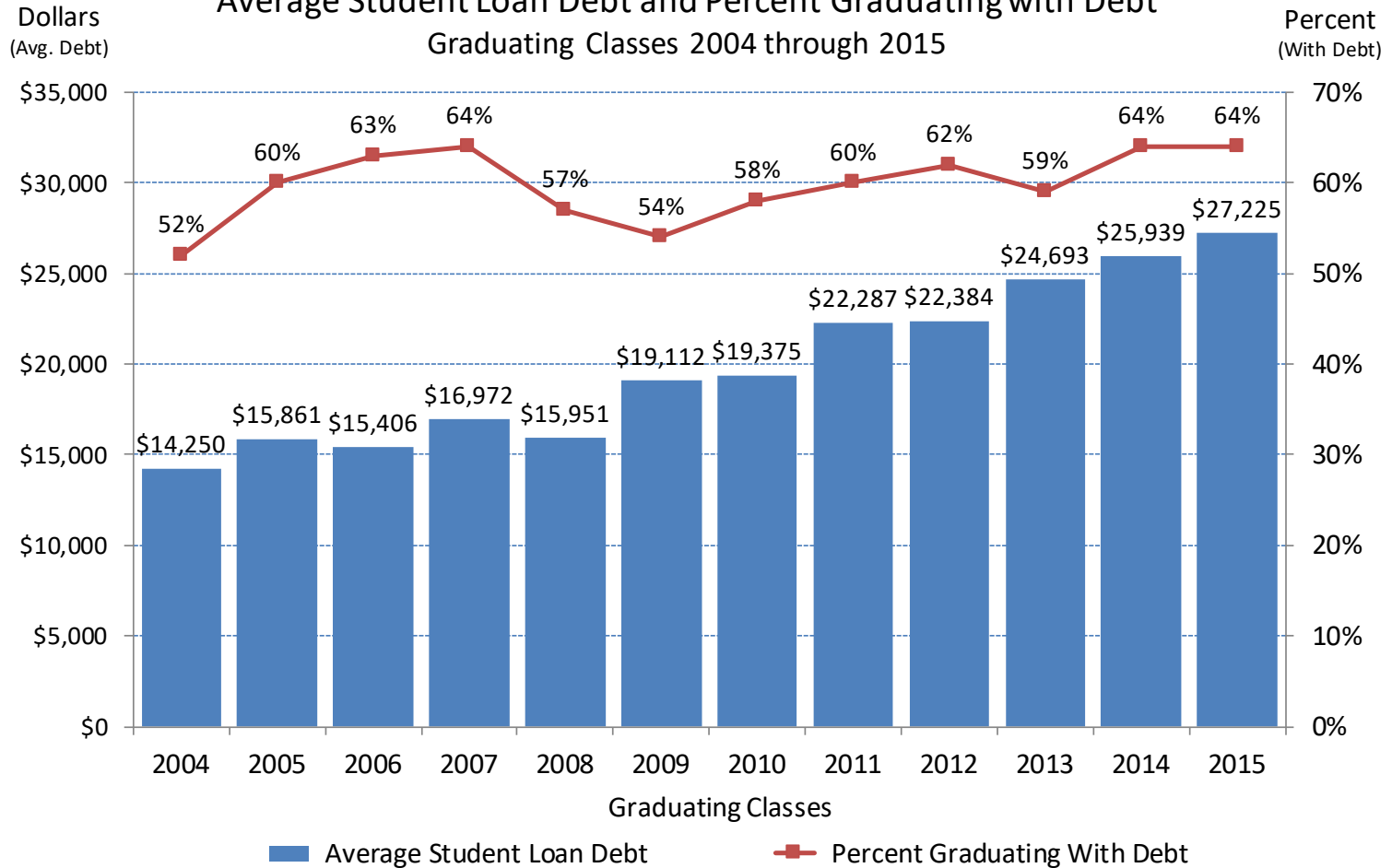
CS



Sources: Kentucky Budget of the Commonwealth; CPE Comprehensive Database.

Growing Student Loan Debt

Kentucky Public and Private Four-Year Universities
Average Student Loan Debt and Percent Graduating with Debt
Graduating Classes 2004 through 2015



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Source: The Project on Student Debt, Student Debt and the Class of 2015, October 2016.

In Summary

- A convergence of factors has strained campus budgets and placed upward pressure on tuition and fees
- Although funding cuts in Kentucky ranked among the worst nationally, tuition increases were near average
- Average net price at Kentucky colleges and universities compares favorably both regionally and nationally
- Council adopted tuition ceilings and growth in campus student aid funding have helped maintain affordability
- Students and families are paying a larger share of college costs than was the case a decade ago

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In Summary (Cont'd)

- The upward trend in student loan debt is an indicator that college has become less affordable for some Kentucky students and families
- A major challenge to affordability for low income Kentuckians is insufficient funding for CAP and KTG
- Additional reductions in state support will continue to make college less affordable and move the state toward a privatized system of higher education

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