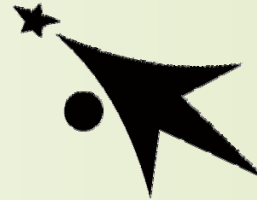


**OVERVIEW:
COLLEGE AFFORDABILITY
IN KENTUCKY**



**KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION**

CPE MEETING

NOVEMBER 7, 2008

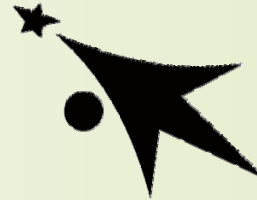
Overview

- ❖ The Context: Kentucky's 2020 Vision
- ❖ Connecting College Affordability to the Flow of Funds in Postsecondary Education
- ❖ How Affordable Are We?: Statewide College Affordability Indicators
- ❖ Trends in College Costs
- ❖ Trends in Student Financial Aid
- ❖ Keeping the Promise: Policy Options for Maintaining College Affordability

Additional information to be shared in months ahead.

**OVERVIEW:
COLLEGE AFFORDABILITY
IN KENTUCKY**

NOVEMBER 7, 2008



**KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION**

**The Context:
Kentucky's 2020 Vision**

Kentucky's 2020 Vision

Increase educational attainment and promote economic development to raise the standard of living and quality of life in the Commonwealth that meets or exceeds the national average by 2020.

Work on college affordability and access grounded in reform legislation.

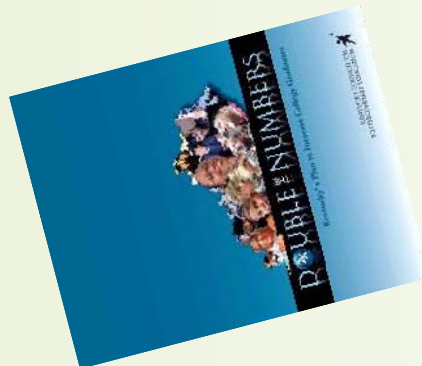
Achieving goals will create the most dramatic economic transformation in Kentucky's history.

Six Goals of House Bill 1

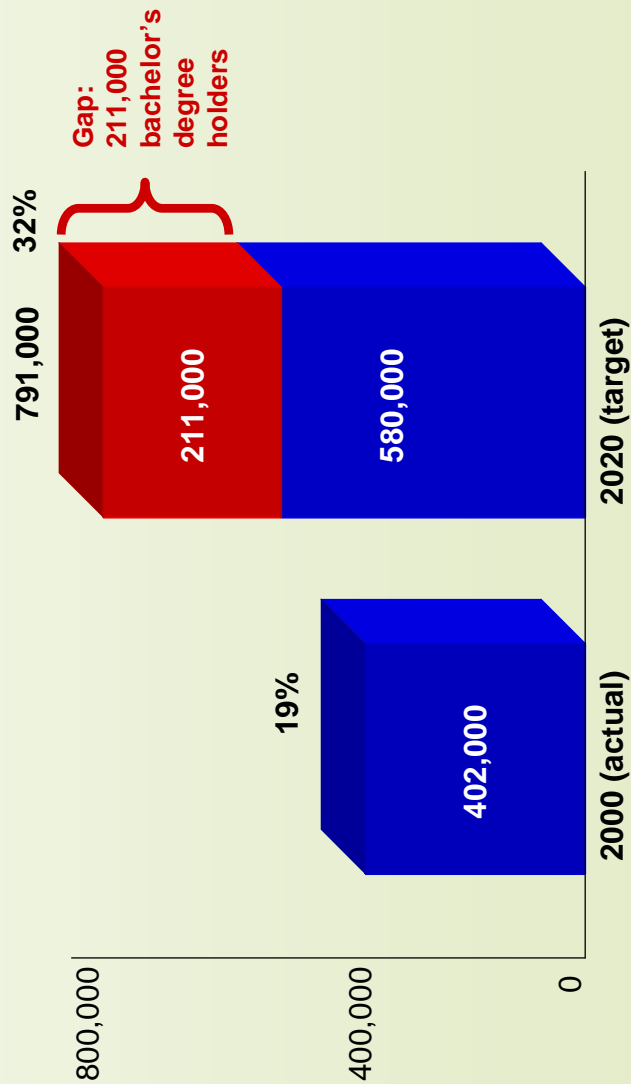
- ✓ Seamless, adequately funded system to enhance economic prosperity.
- ✓ UK: top 20 public research university.
- ✓ UofL: premier metropolitan research university.
- ✓ Regional universities: access to quality degrees and nationally recognized programs of distinction.
- ✓ Community/technical colleges: access, transfer, and workforce development.
- ✓ Educational services in quality and quantity comparable to the national average.



Double the Numbers (DTN)



To achieve postsecondary education reform goals, Kentucky must **double the number*** of people with at least a bachelor's degree by 2020.

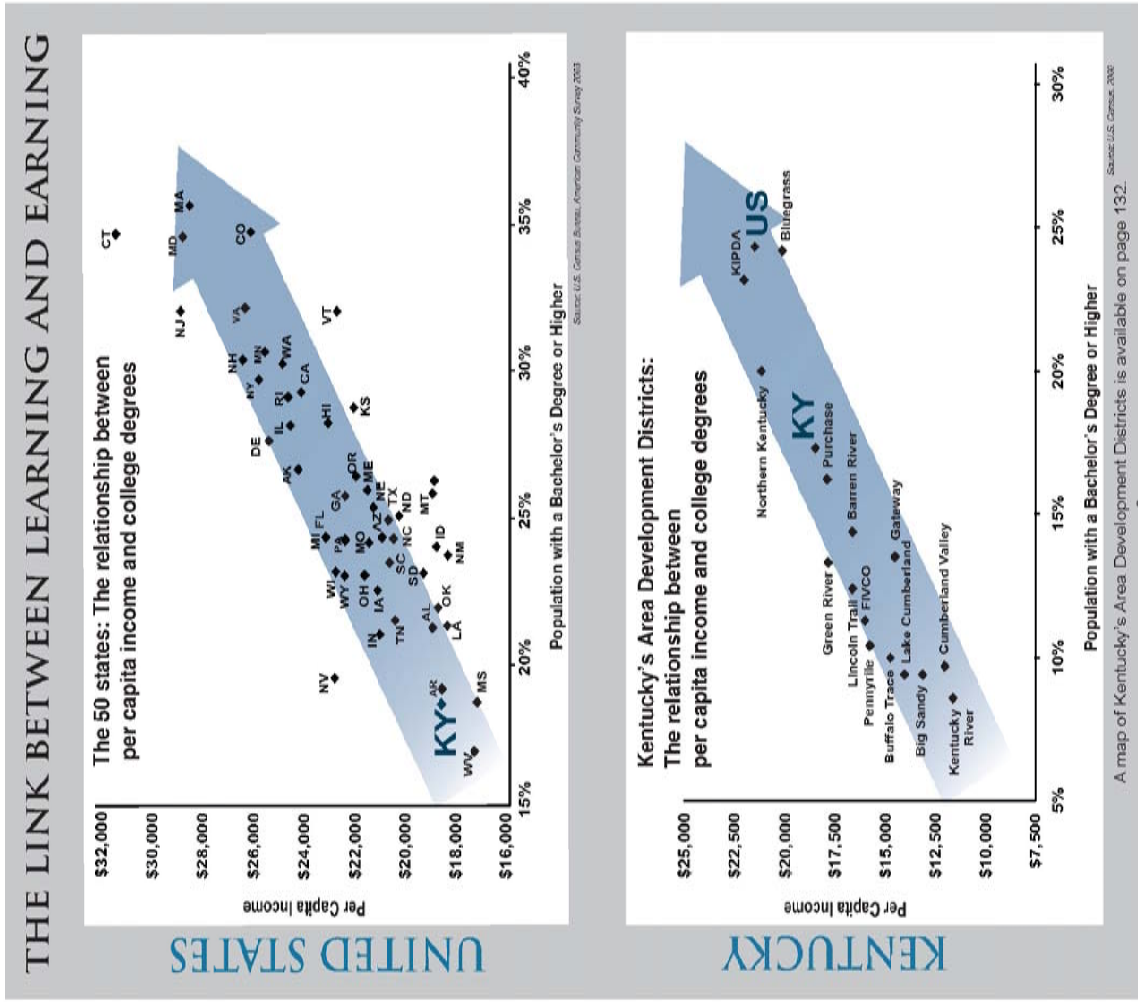


* For DTN analysis, this is based upon working age population (25-64) in Kentucky.

Essential to Income Growth

“The single factor with the greatest power to explain differences in per capita income between states is the percentage of college graduates.”

Milken Institute, 2002



Graduation day

Education

Career

Investment

Return on investment

Costs

Benefits

Private costs

- Direct costs (tuition, books, supplies, etc.)
- Indirect costs (room, board, transportation, etc.)

Public costs

- Operating subsidy
- Financial aid
- Capital projects

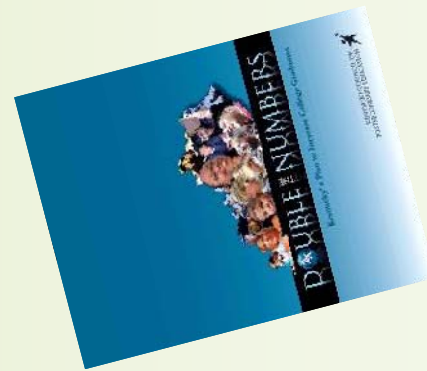
Private benefits

- Increased earning potential
- Healthier lives
- Increased value of education

Public benefits

- Vibrant economy
- Engaged citizens
- Reduced crime/dependency
- Reduced health care costs

DTN Statewide Strategies



Strategy	Link to College Affordability
#1) Raise high school graduation rates.	Increasing aid, awareness, and access to greater number of low-income students.
#2) Increase the number of GED graduates and transition more to college.	Increasing aid, awareness, and access to greater number of low-income adults.
#3) Enroll more first-time students at KCTCS and transfer them to 4-year programs.	Low cost provider, financial aid for low-income and part-time students, transfer scholarships, time to degree.
#4) Increase number of Kentuckians attending and completing college.	Net cost, time to degree, remediation, student debt levels.
#5) Attract college-educated workers to Kentucky and create new jobs.	Access to various levels of high-quality, educational services, cost of education benefits.

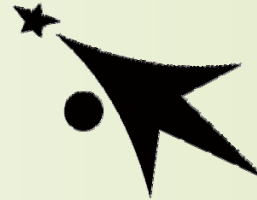
College Affordability in Kentucky

**Complex issue
with no simple
solutions.**

Challenges	Policy Options
Balancing adequacy of funding to achieve reform goals with affordability and access.	Sustained General Fund support combined with reasonable increases in tuition and financial aid.
Increasing number of low-income college students.	Increased need-based aid (e.g., early commitment programs).
Encouraging student success and completions.	Supporting efforts to fix leaks in educational pipeline, decrease time to degree, assess quality, contain costs, and manage student debt.
Promoting benefits of postsecondary education.	Aggressive college access campaign, employer education benefits, and attracting good jobs to Kentucky.

**OVERVIEW:
COLLEGE AFFORDABILITY
IN KENTUCKY**

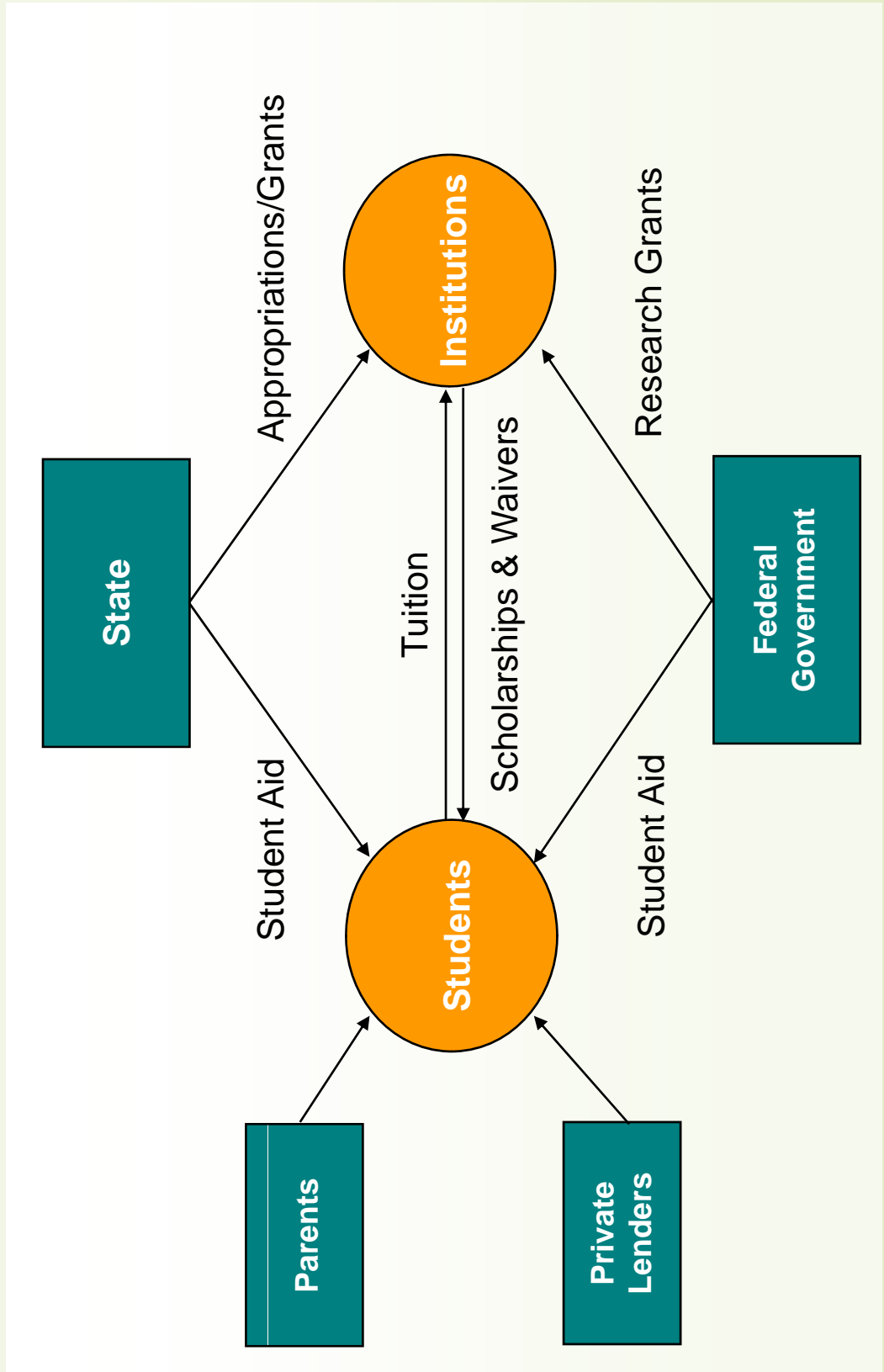
NOVEMBER 7, 2008



**KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION**

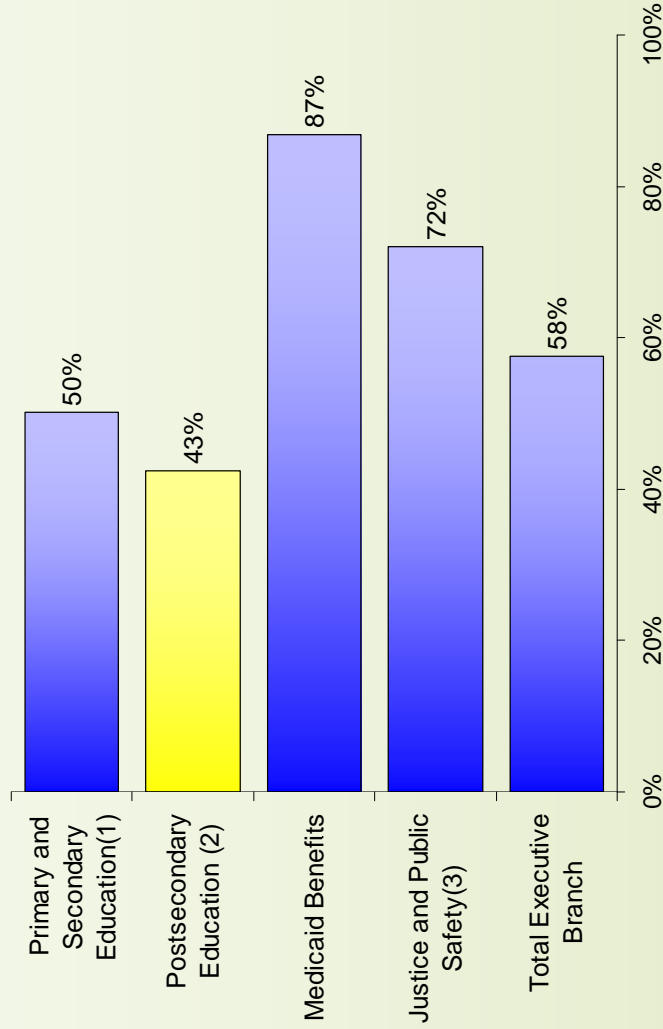
**Connecting College
Affordability to the Flow
of Funds in
Postsecondary
Education**

Flow of Funds in Postsecondary Education



Change in General Fund Appropriation

**Percent Change in General Fund Appropriations
FY99 to FY08 in Current Dollars**



(1) Primary and Secondary Education includes funding for the Department of Education, the Kentucky Teachers' Retirement System, and the School Facilities Construction Commission.

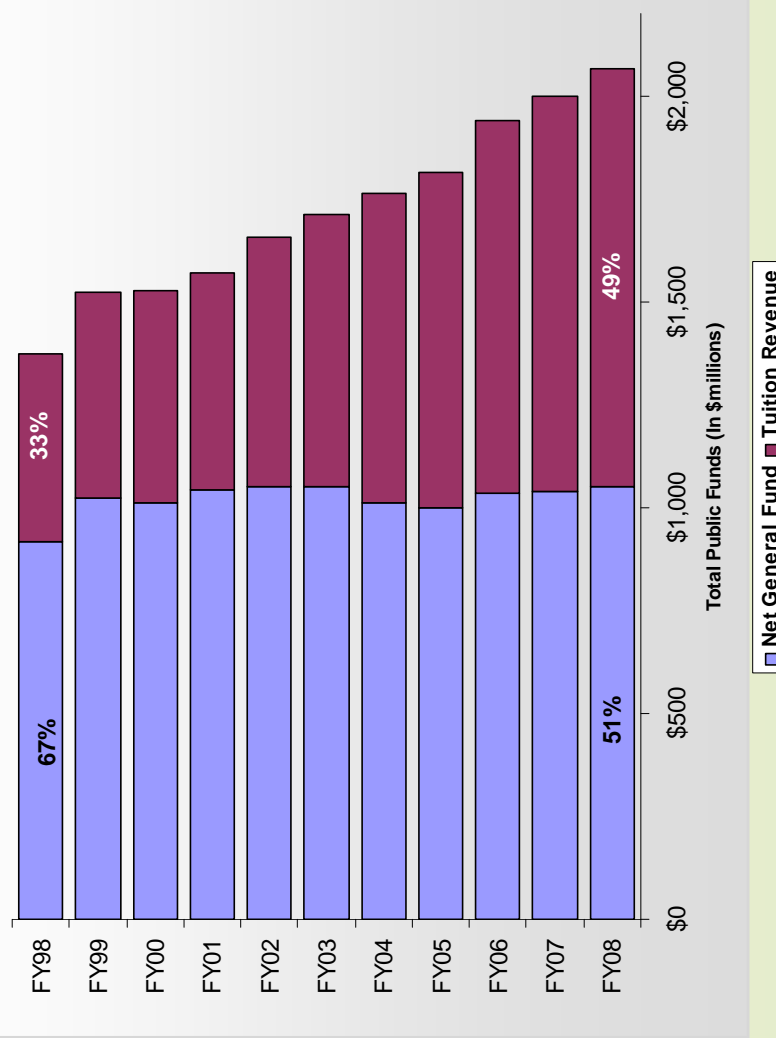
(2) Figures include student financial aid and CPE.

(3) Figures for 2005 and 2006 include appropriations to the Department of Public Advocacy which was added to the Justice Cabinet through reorganization.

Postsecondary education's percent change in state appropriation less than other priority areas.

Change in State Versus Student Share

**Total Public Funds (Net General Fund + Tuition Revenue)
Kentucky Public Institutions
FY98 to FY08 in Constant FY08 Dollars**



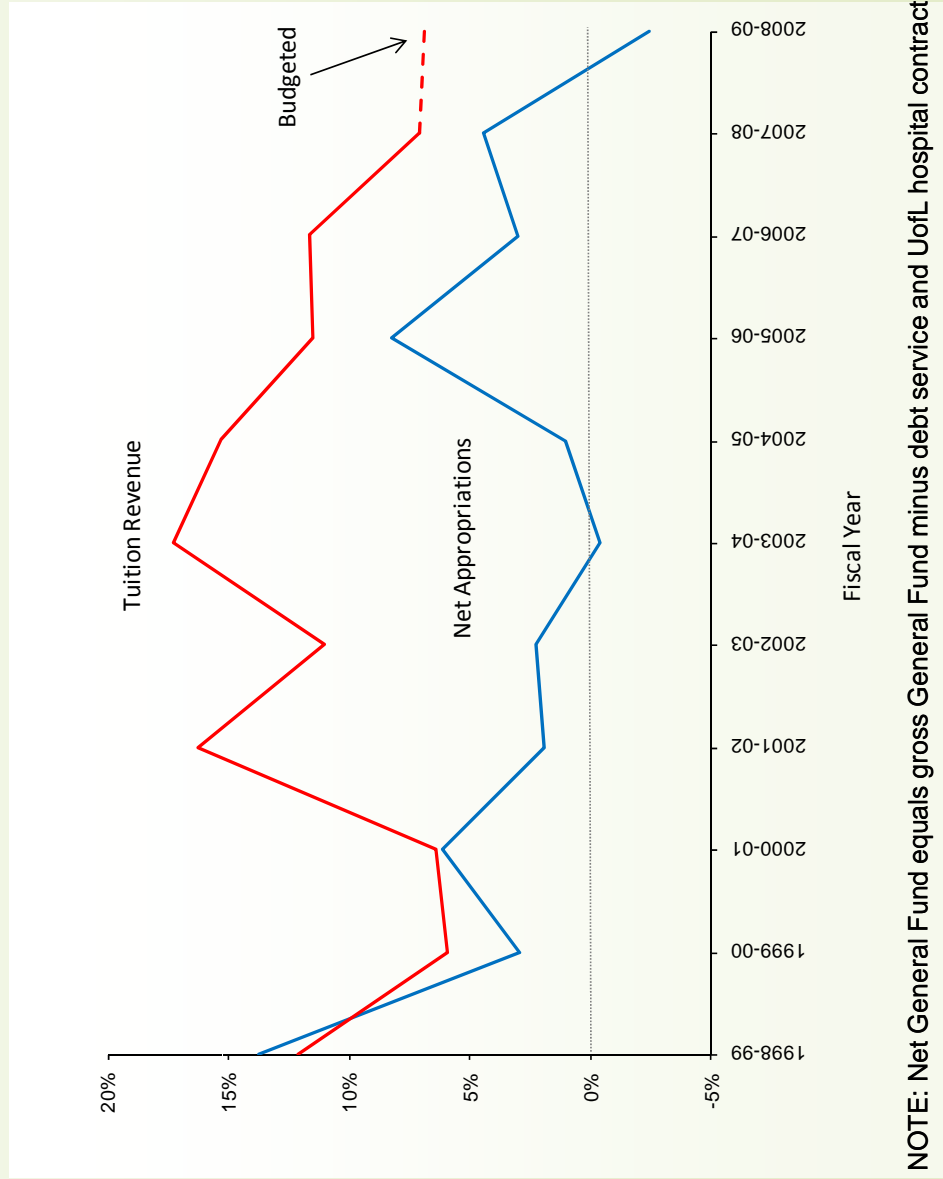
NOTE: Net General Fund equals gross General Fund minus debt service and UofL hospital contract.

- State versus student share of support for postsecondary education has decreased from 2/3 state support in FY98 to approximately 1/2 in FY08.

Kentucky trend similar to national trend in this regard.

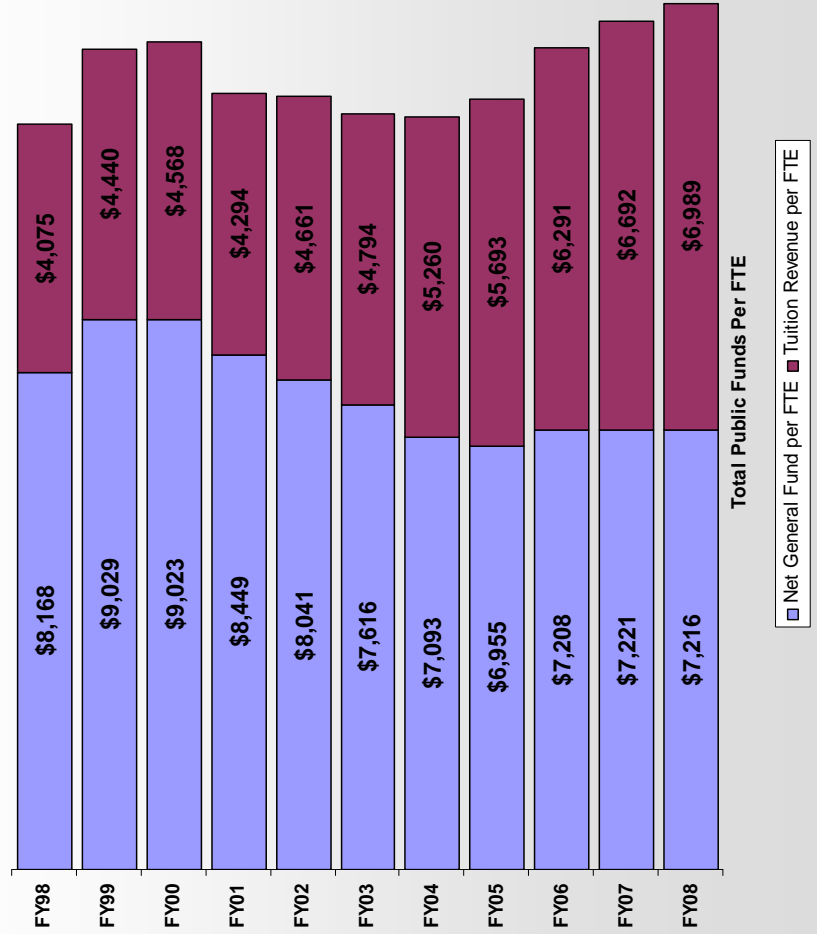
Annual Percent Change in Kentucky Public Postsecondary Net General Fund Appropriations and Gross Tuition and Fee Revenue

While state support for Kentucky's public postsecondary system grew at an average annual rate of 2.6% between FY99 and FY09, that growth has been sporadic.



Change in Funding Per FTE

**Total Public Funds (Net General Fund + Tuition Revenue)
Kentucky Public Institutions Per Student FTE
FY98 to FY08 in Constant FY08 Dollars**



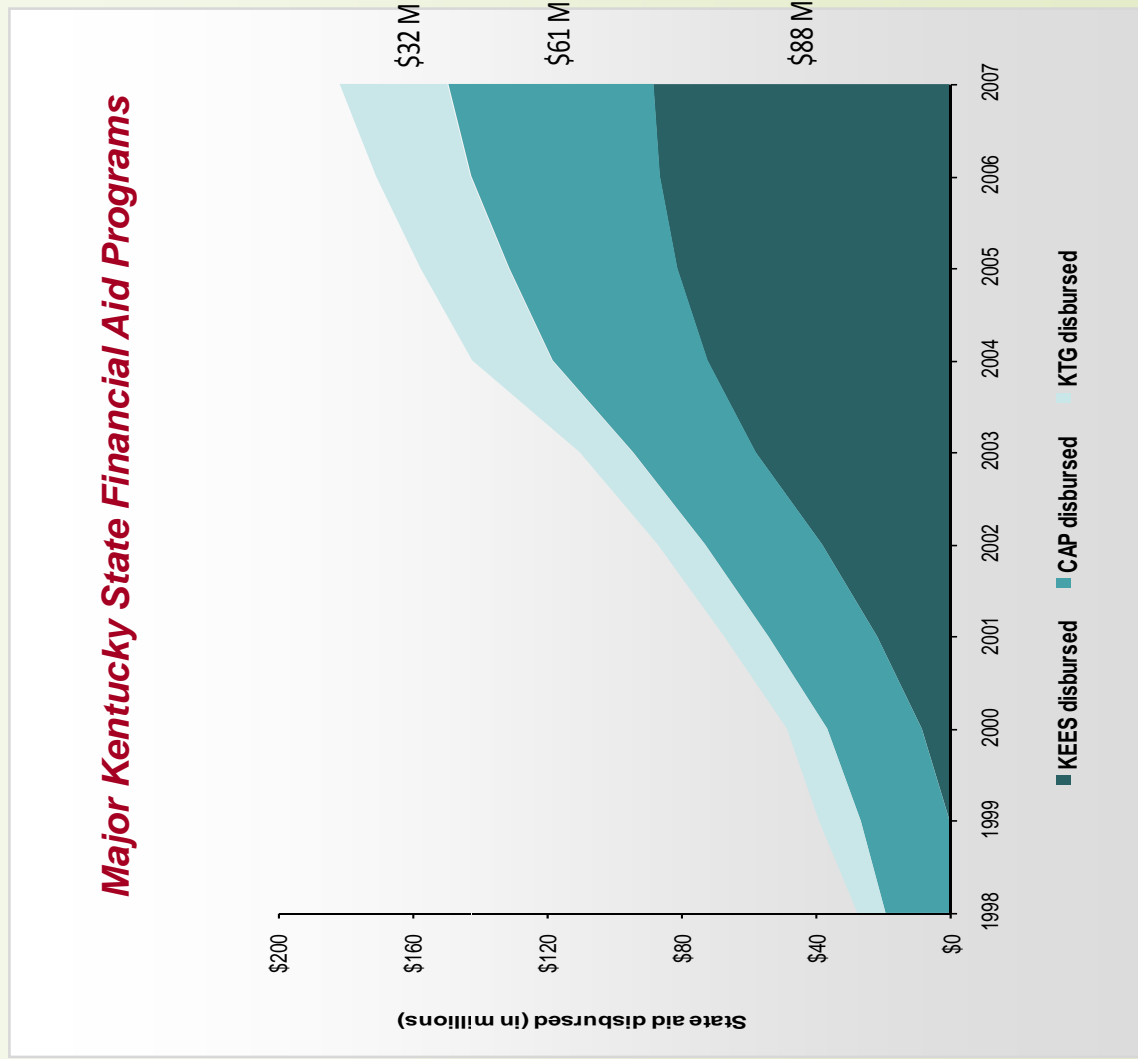
NOTE: Net General Fund equals gross General Fund minus debt service and UofL hospital contract.

Kentucky trend similar to national trend in this regard.

Growth of State Financial Aid

Lottery funding expanded student financial aid more than five-fold in the past 10 years but increases are flattening.

KHEAA Annual Reports



Funding Postsecondary Education in Kentucky

State appropriations

- FY08 cut of 3% or \$32.5 million.
- FY09 additional 3% cut or \$55.7 million less than original enacted FY08 state appropriation.
- Since FY98, state vs. student share decreased from 2/3 state and 1/3 student to about 50/50.

Tuition

- Kentucky is no longer a low-tuition state.
- Over last 10 years, resident undergraduate tuition increased on average 10% per year and 12% per year over last five years.

Level of state support impacts tuition rates and student financial aid.

Financial aid

- State aid experienced aggressive growth early in reform but slowed considerably.
- Federal aid remained relatively flat.

Select Outcomes of Postsecondary Education Reform

Enrollment

- Undergraduate enrollment in Kentucky's public postsecondary system increased by 51,587 students, or 38% between fall 1998 and 2007.

Degrees

- Kentucky's public universities granted 3,002 more baccalaureate degrees in AY2006-07 than in AY1997-98, a 26 % increase.
- The number of associate degrees granted at KCTCS institutions increased from 3,322 in AY2000-01 to 6,481 in AY2006-07, up 95 %.

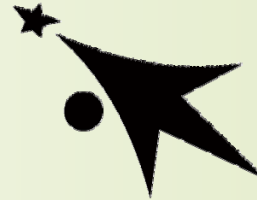
Kentucky's postsecondary system has posted gains in enrollment, degrees granted, and research expenditures.

Research Expenditures

- Combined extramural R&D expenditures at UK and UofL grew from \$105.2 million in FY1997 to \$327.4 million in FY2006, a 211 percent increase.

**OVERVIEW:
COLLEGE AFFORDABILITY
IN KENTUCKY**

NOVEMBER 7, 2008

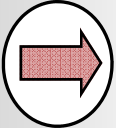
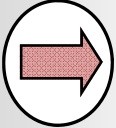

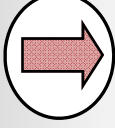


**KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION**

**How Affordable Are We?:
Statewide College
Affordability Indicators**

Statewide College Affordability Indicators

***Reviewed on an
annual basis in
Council's
accountability
report and tuition
setting process.***

Key Indicator	Trend	Progress
College affordability for all families		Since 2000, percent of income needed for college minus grant aid increased 9 percentage points.
Affordability for low-income families		Lowest-income families need to devote 24% of income to cover tuition at KCTCS in 2006, up from 14% in 1994.
Need-based financial aid		State need-based aid as a percent of federal Pell Grants at 42% vs. 24% in SREB.
Student loan debt		KY college students on average borrow less than other students, annual loan amount of \$3,210 is up 20% over past 10 years.

Measuring Up – State Report Card

MU Affordability Indicator	Brief Definition	Ranking (out of 50)				Trend
		2000	2002	2004	2006	
Family Ability to Pay – Community Colleges	Percent of Income (average of all income groups) needed to pay for college expenses (tuition, fees, room, and board) minus all federal, state, and institution financial aid (net cost of attendance).	2	8	14	33	↘
Family Ability to Pay – Public 4 Year Colleges		6	6	3	25	↘
Family Ability to Pay – Private 4 Year Colleges		8	7	18	26	↘
Low priced colleges	At lowest priced colleges (KCTCS), the share of income that the poorest families (lowest income quintile) need to pay for tuition and fees for fulltime residents.	25	26	36	38	↘
Need-based financial aid	State investment in need-based financial aid as compared to the federal investment (Pell Grant aid).	19	20	14	15	↗
Student borrowing	Average loan amount that undergraduate students borrow each year.	10	6	8	8	↔
40% of population with lowest income – Community Colleges	Average net price per average family income of 40% of the population with the lowest income.	7	7	18	33	↘
40% of population with lowest income – Public 4 Year Colleges		7	7	4	24	↘
40% of population with lowest income – Private 4 Year Colleges		8	8	17	25	↘

In general, Kentucky's state rankings on affordability weakened considerably from 2000 to 2006 and, given increases in tuition and slow income growth, will likely be worse when 2008 data are released.

Enrollment Patterns

Enrollment growth very high in the first years of reform, but has slowed more recently.

Enrollment growth slowed most among full-time students.

CPE Comprehensive Database

Percent Change in Undergraduate Enrollment, Early Reform and More Recent

	Early Reform (2000-2003)	More Recent (2004-2007)
Total public enrollment	20%	7%
Public universities	10%	2%
KCTCS	36%	13%
Full-time, in-state	14%	-1%
Full-time, out-of-state	25%	5%
Part-time, in-state	31%	19%
Part-time, out-of-state	16%	25%

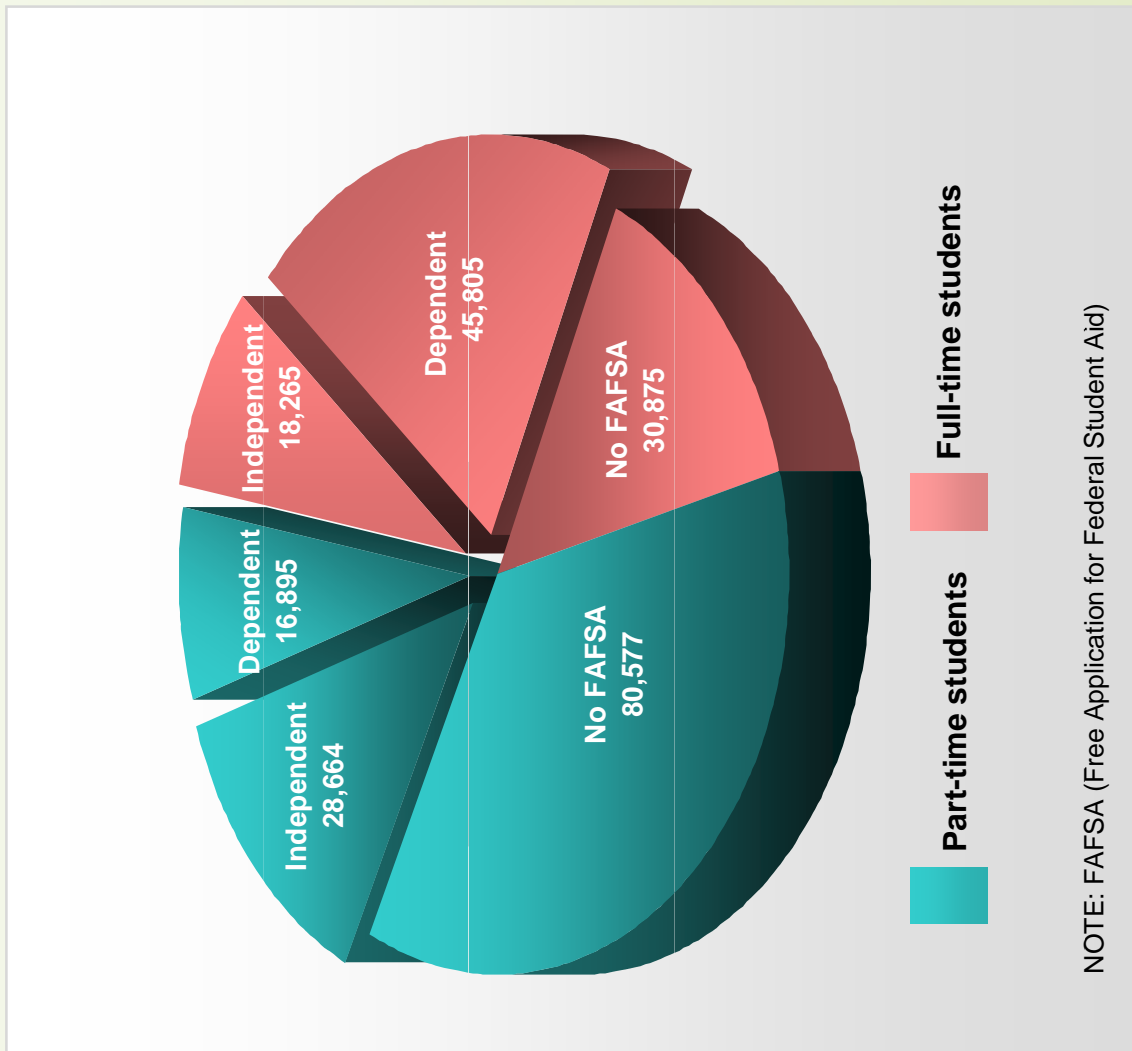
Kentucky Undergraduates

No FAFSA filed for over half of Kentucky students.

More part-time than full-time students.

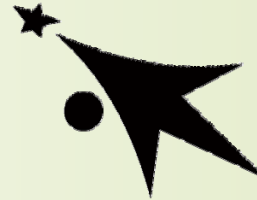
Full-time students are more likely to be dependents.

Data include four- and two-year public and independent institutions, AY06



**OVERVIEW:
COLLEGE AFFORDABILITY
IN KENTUCKY**

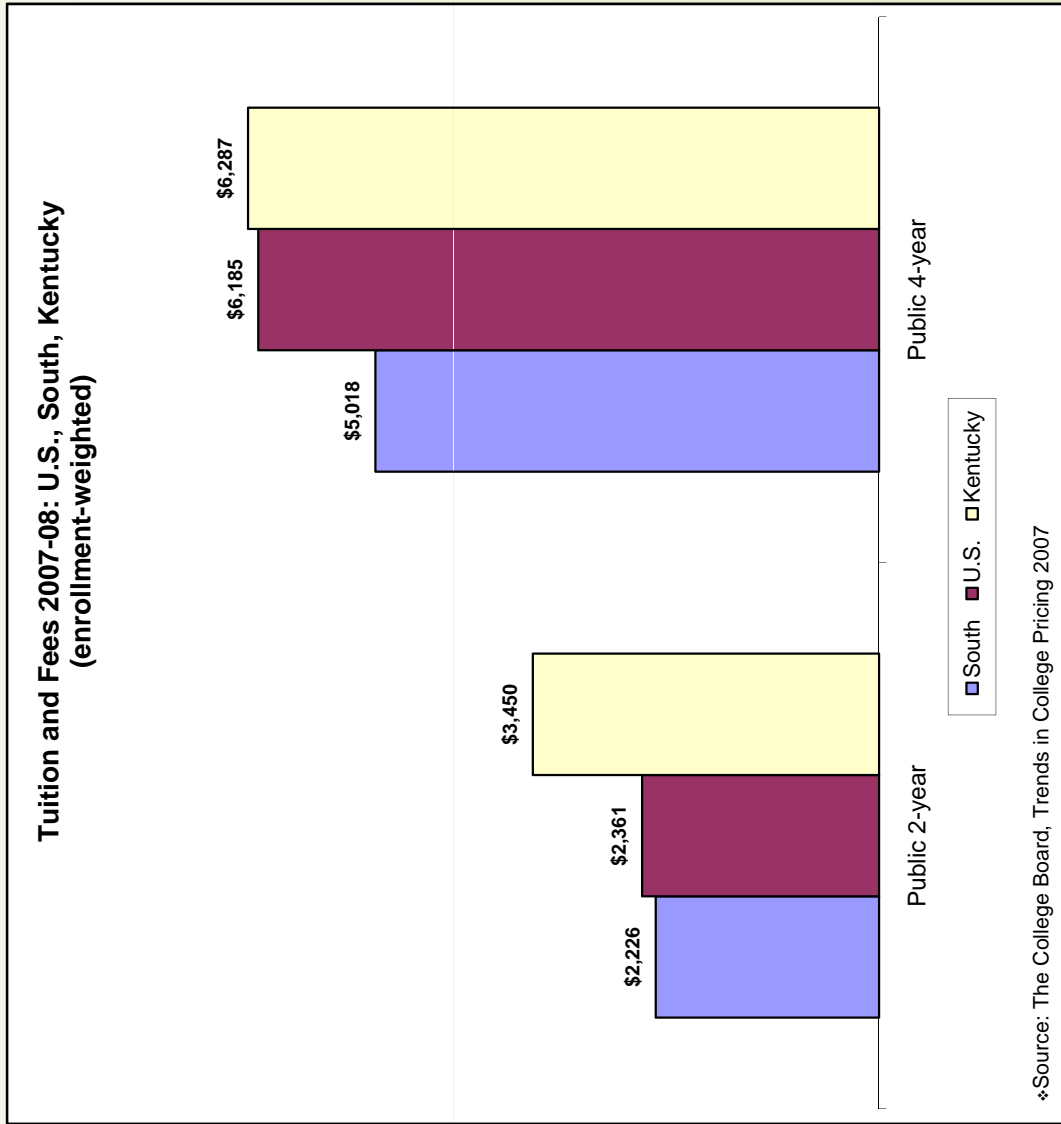
NOVEMBER 7, 2008



**KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION**

Trends in College Costs

Comparative Tuition and Fees, 2007-08



Kentucky is no longer a low-tuition state and is now above regional and national averages.

Comparative Rates of Tuition Increase

Sector	3-Year Average Increase		5-Year Average Increase		10-Year Average Increase	
	KY	South	KY	South	KY	South
Public Two-Year	7%	4%	9%	6%	12%	7%
Public Four-Year	10%	7%	12%	7%	10%	7%

Source: CPE Comprehensive Database, College Board

- ***Rates of tuition increase in Kentucky have exceeded rates of increase in the region, as well as average increases in inflation and income.***
 - Over the past 10 years, undergraduate tuition and fees at Kentucky's public 4-year universities grew by about 10% per year, while tuition at the public 2-year colleges increased by 12% per year.
 - Since AY1998-99, student charges have grown at about three times the rate of inflation (3.4%).
 - Over the past 5 years, the average annual increase in KY median family income was 3.3%, the same rate of growth as inflation for the period.

Historical Rates of Tuition Increase

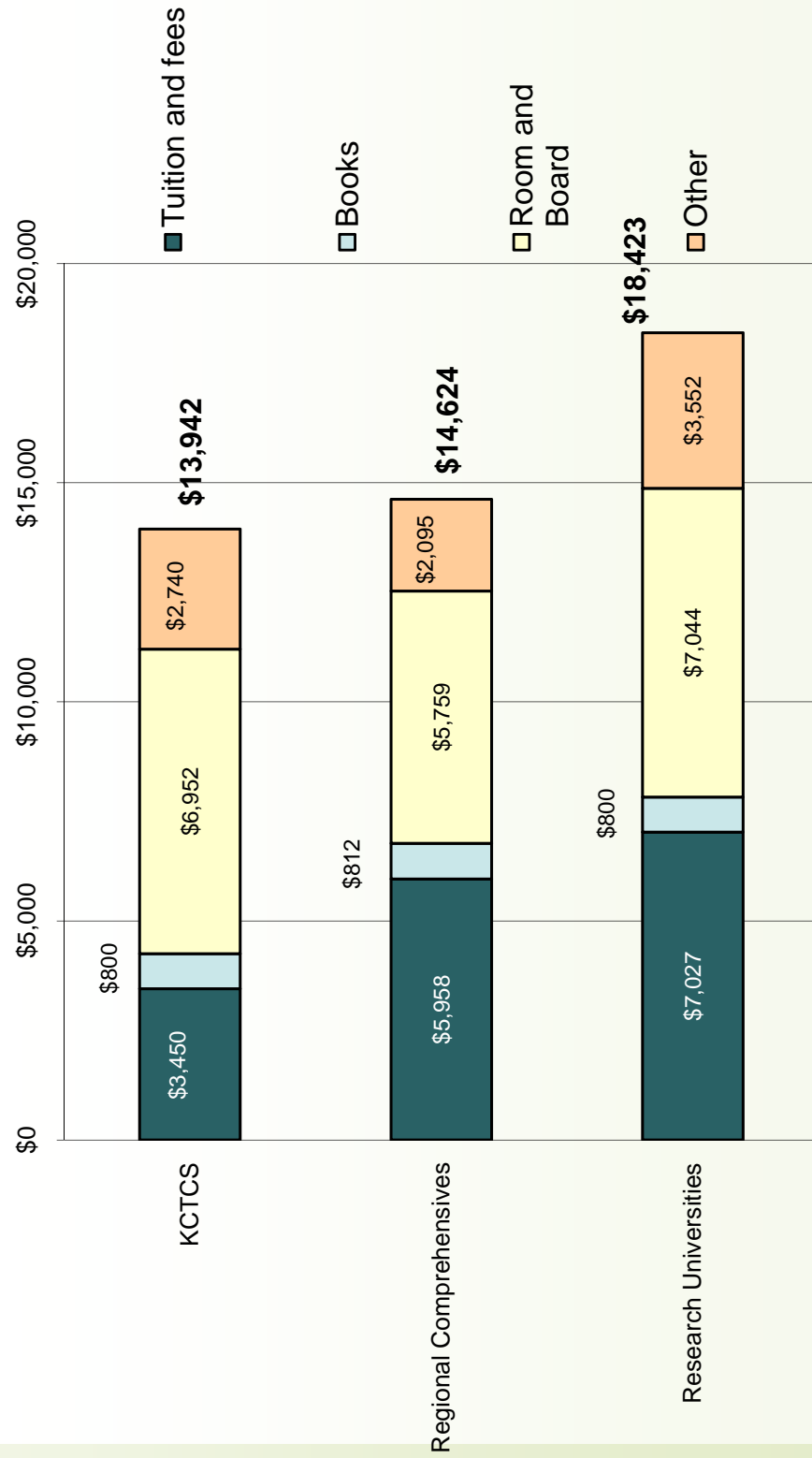
Institution	1998-99 Tuition & Fees	2008-09 Tuition & Fees	10 Year AAGR	5 Year AAGR	3 Year AAGR
EKU	2,190	6,080	10.8%	12.6%	9.3%
KSU	2,170	5,692	10.1%	11.1%	8.4%
MoSU	2,270	5,670	9.6%	11.0%	9.5%
MuSU	2,300	5,748	9.6%	10.8%	9.1%
NKU	2,264	6,528	11.2%	11.8%	9.5%
WKU	2,260	6,930	11.9%	12.5%	9.2%
UK	3,016	7,848	10.0%	11.5%	10.0%
UofL	2,920	7,564	10.0%	11.2%	11.0%
KCTCS	1,140	3,630	12.3%	8.9%	7.3%

NOTE: AAGR (Average Annual Growth Rate)

- Rates of tuition increase have been high for all public postsecondary education institutions.**
- Nominal tuition rates at all public postsecondary institutions increased at least 250% from 1998-99 to 2008-09.
 - The 3-year average growth rate is below both the 5-year and the 10-year growth rates.

What College Costs in Kentucky

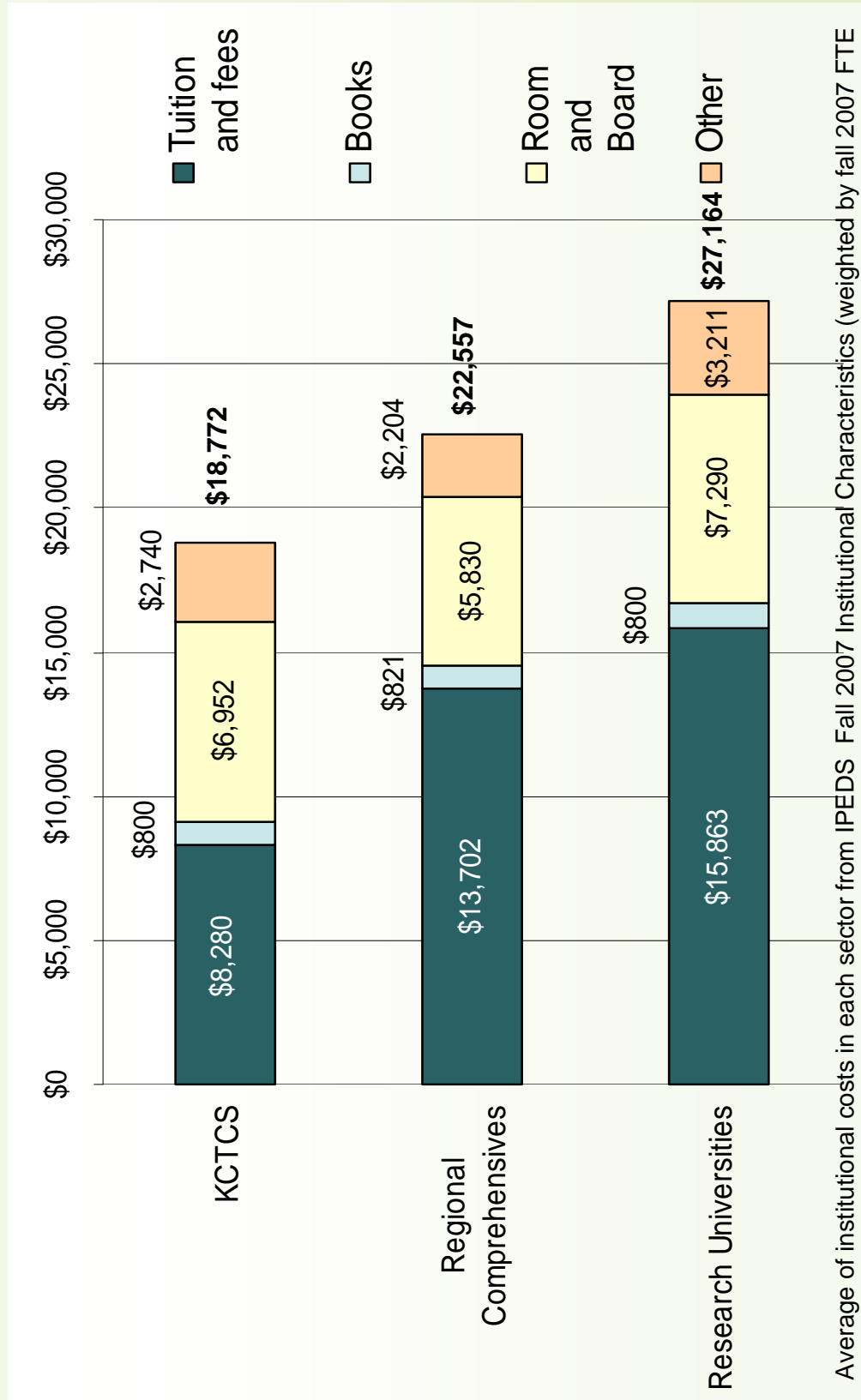
Average Public, Undergraduate, In-State, Full-time
Cost of Attendance by Sector, 2007-08



Average of institutional costs in each sector from IPEDS Fall 2007 Institutional Characteristics (weighted by fall 2007 FTE enrollment)

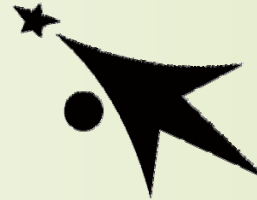
What College Costs in Kentucky

Average Public, Undergraduate, Out-of-State, Full-time Cost of Attendance by Sector, 2007-08



**OVERVIEW:
COLLEGE AFFORDABILITY
IN KENTUCKY**

NOVEMBER 7, 2008



**KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION**

Trends in Financial Aid

Trends in Financial Aid

Grants and subsidies

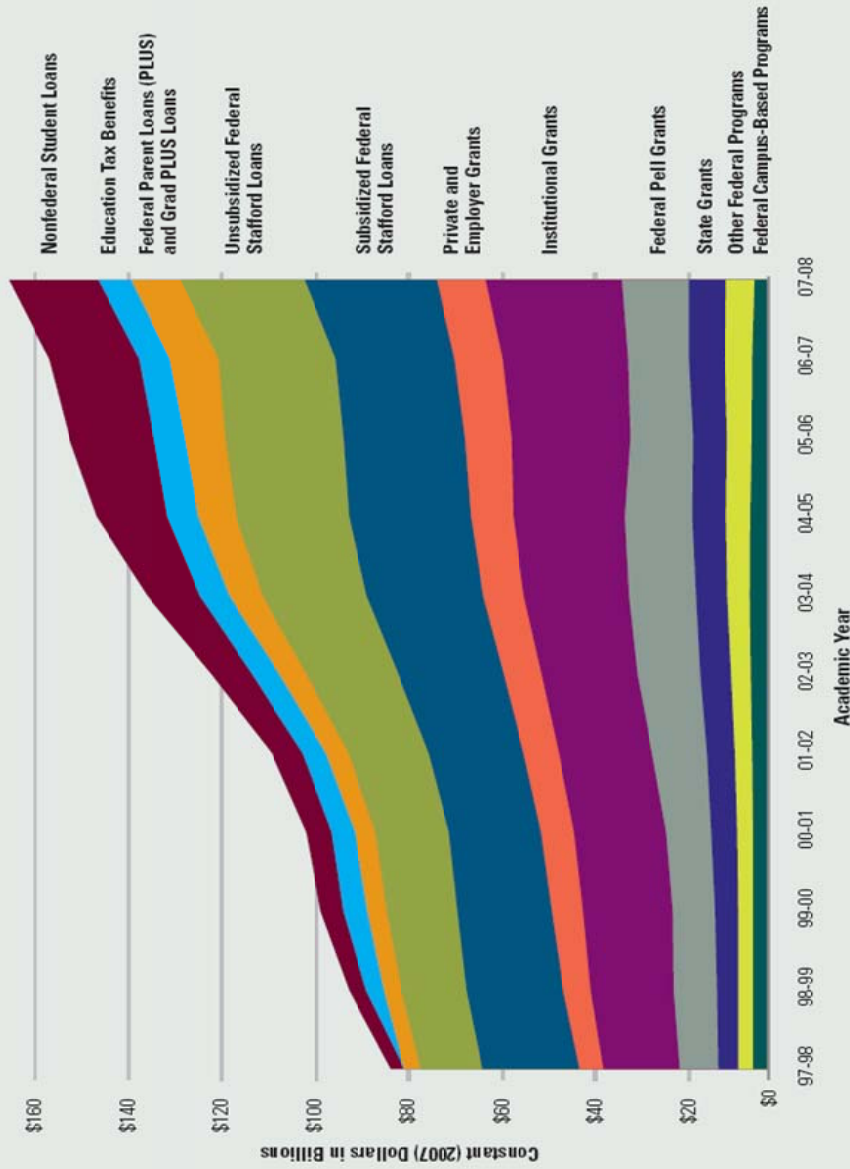
- Many sources and forms
- Need-based vs. non-need-based
- Student subsidies through General Fund appropriation

Self help

- Past income
- Current income
- Future income
- In-kind help

Funds Used to Pay for College

**Ten-Year Trend in Funds Used to Finance
Postsecondary Education Expenses**
in Constant (2007) Dollars (in billions), 1997-98 to 2007-08

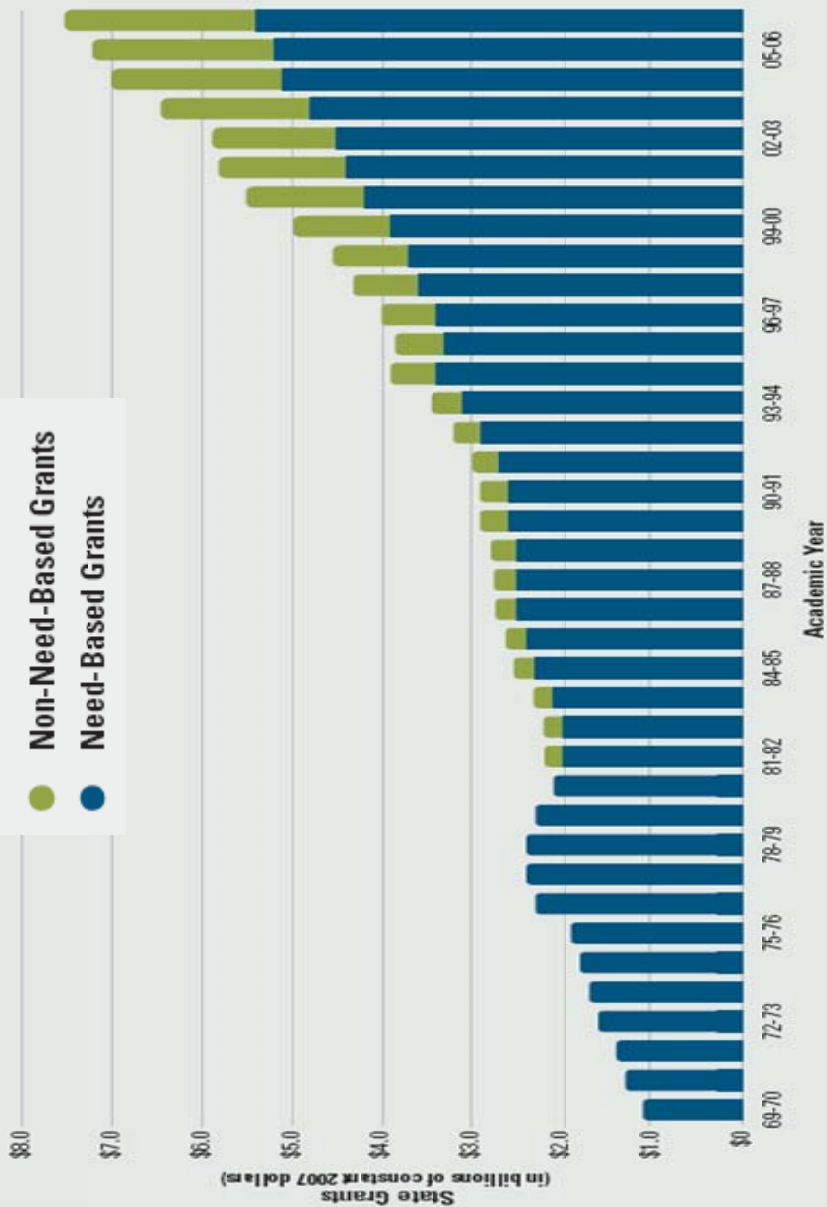


Source: The College Board, *Trends in Student Aid 2008*.

Significant growth
in nonfederal
student loans,
unsubsidized
Stafford loans,
education tax
credits, and
institutional
grants over past
10 years.

Growth in Need & Non-need-Based State Grants

Total Need-Based and Non-Need-Based State Grants
in Constant (2007) Dollars (in billions), 1969-70 to 2006-07



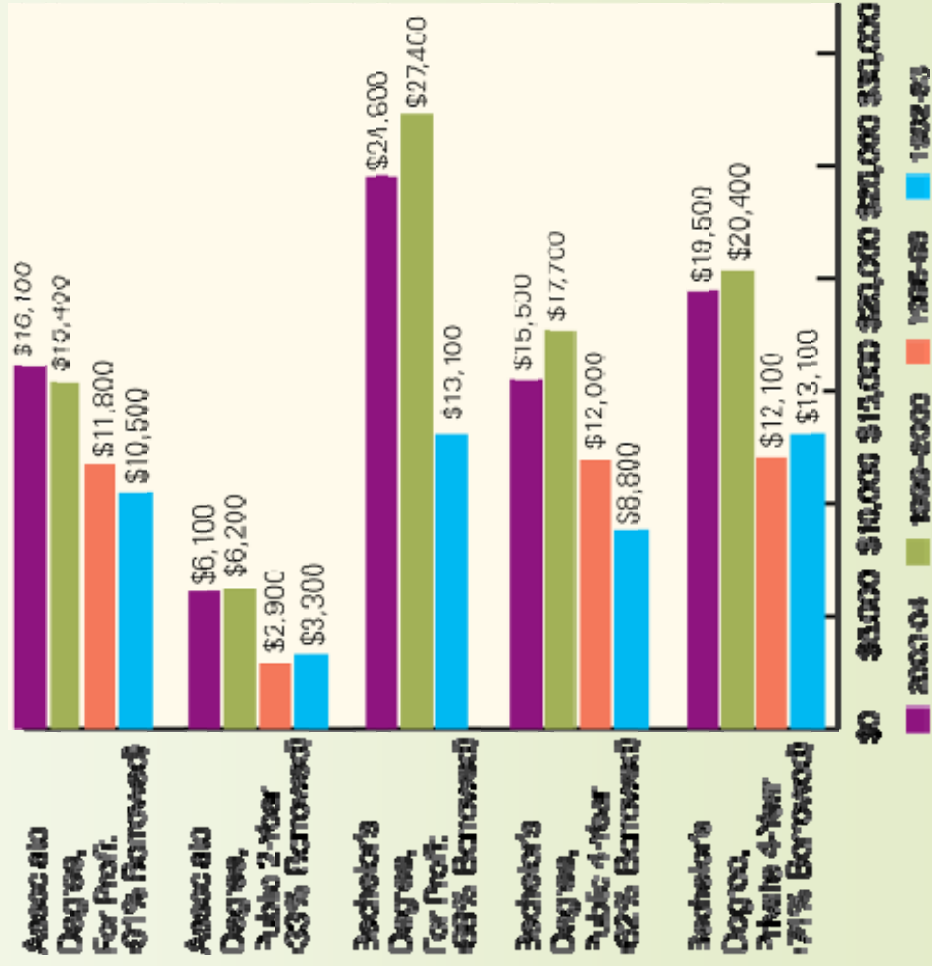
Significant growth in non-need-based grants as proportion of all state grants over past 10 years.

Source: National Association of State Student Grant and Aid Programs (NASSGAP); The College Board, *Trends in Student Aid 2008*.

Student Borrowing

Average debt of Kentucky graduate approximately \$15,000 according to a report from the Project on College Debt.

Median U.S. Debt Levels of Undergraduate Degree Recipients Who Borrowed by Degree and Institution Type in Constant (2003) Dollars, 1992-93 to 2003-04



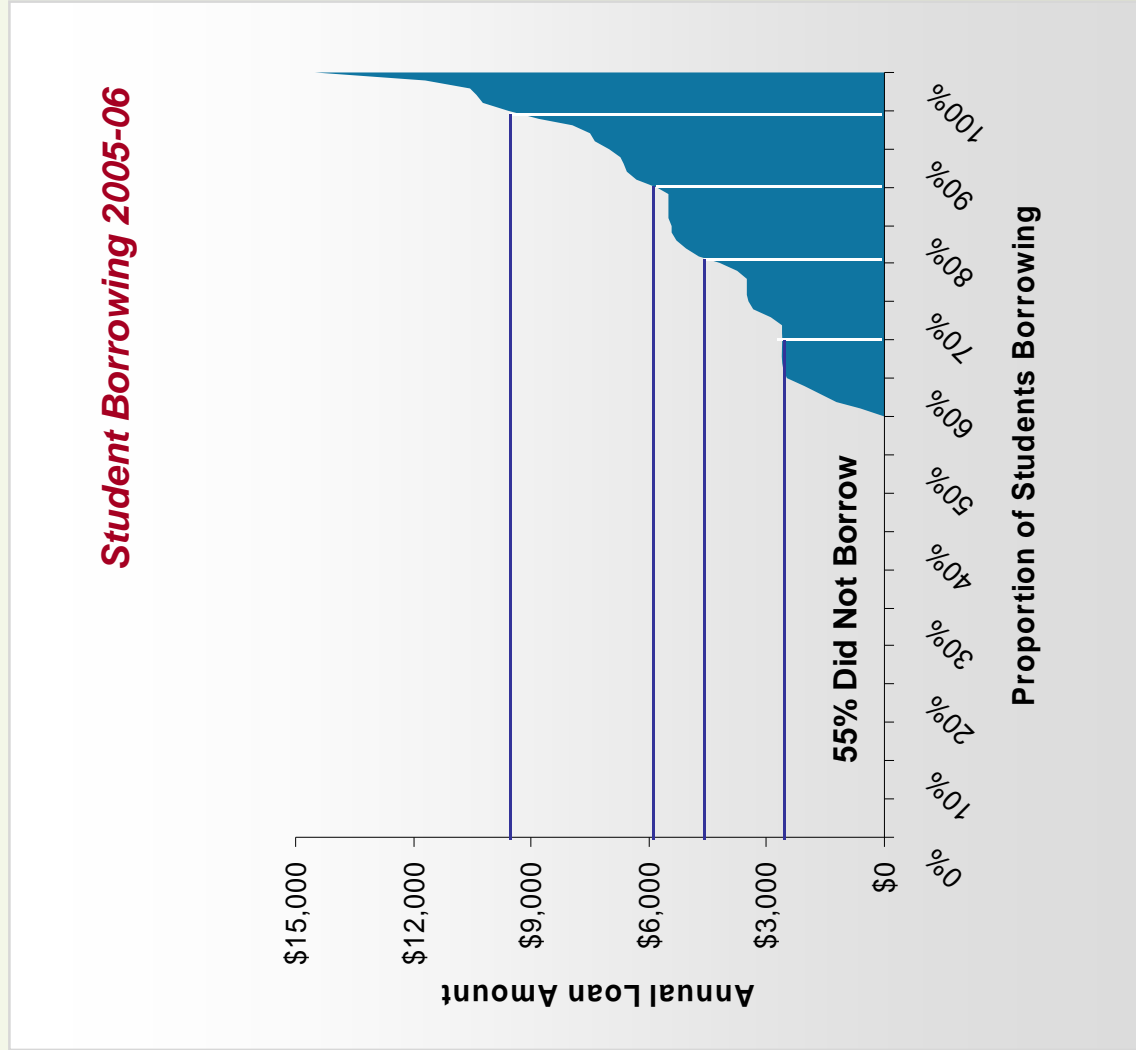
Source: NPSAS, 1993, 1996, 2000, and 2004

Student Borrowing in Kentucky

45 percent of full-time undergraduates borrowed in 2005-06.

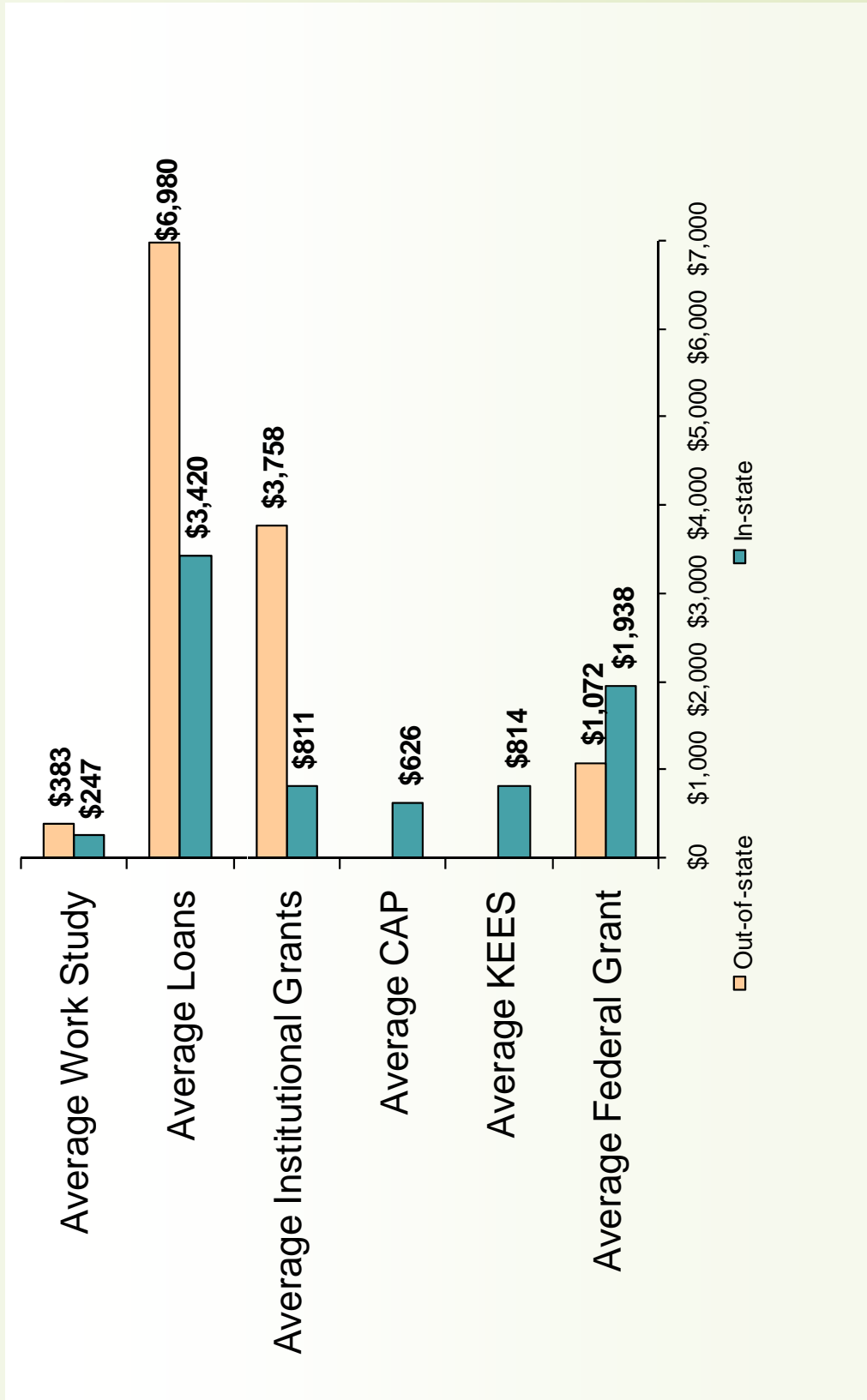
4,200 students borrowed more than \$10,000 in one year.

Full-time, in-state undergraduates in 2005-06



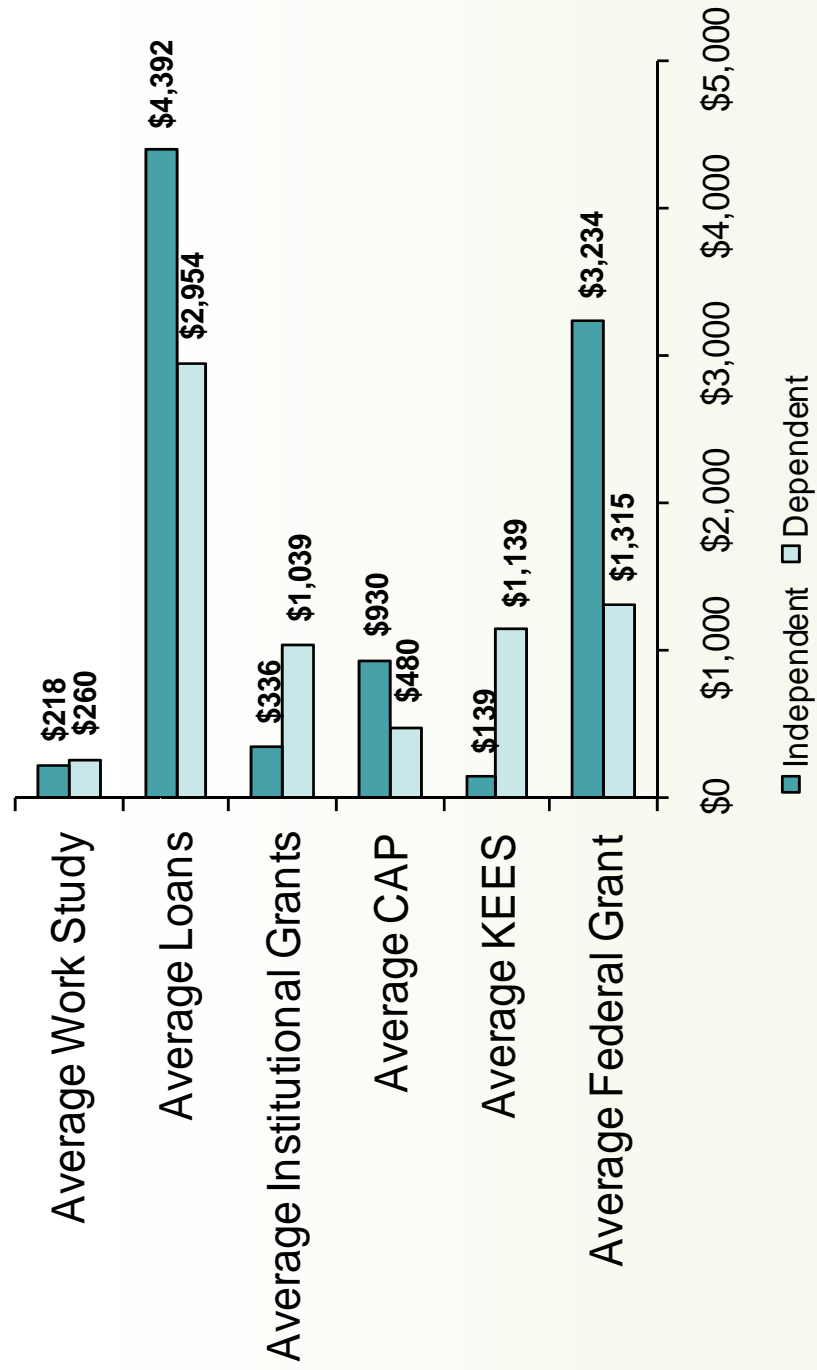
Financial Aid by Residency

Full-time FAFSA Filers at Public Institutions, AY 2005-06



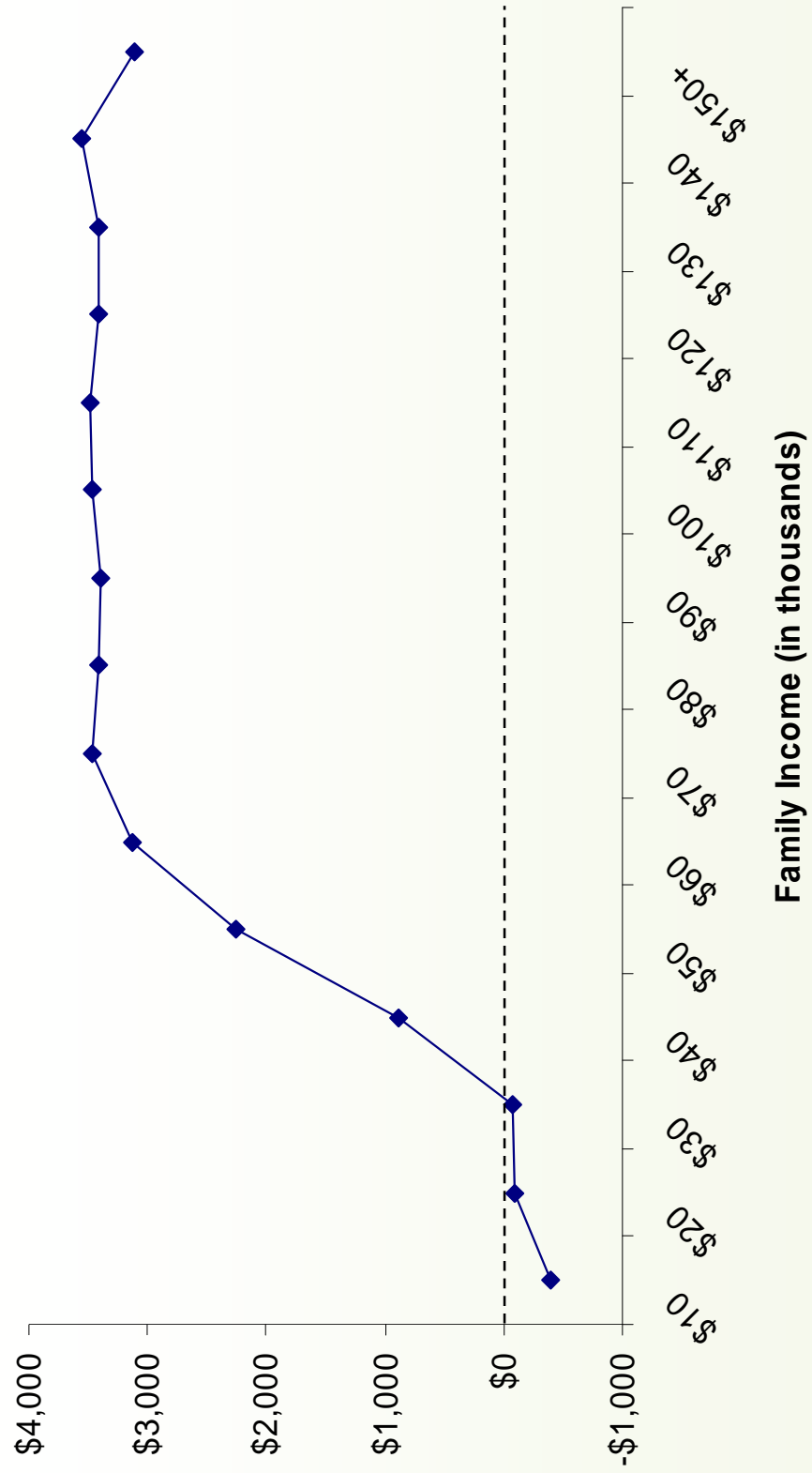
Aid Comparison of Independent and Dependent Students

In-state, full-time, undergraduate students in AY 2005-06



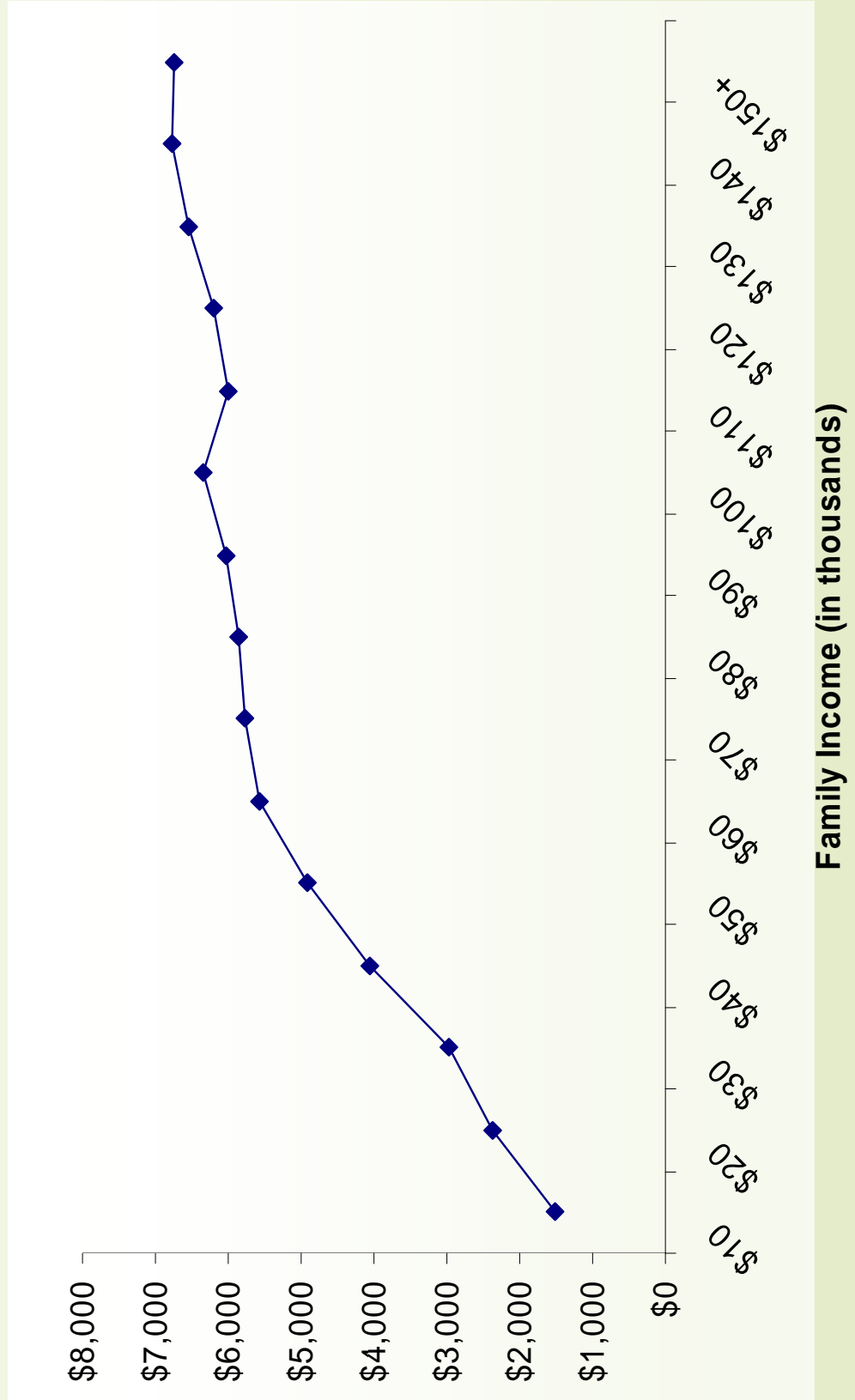
Tuition, Mandatory Fees and Books Net of Grants

Full-time, in-state students in the comprehensive sector, AY 2005-06



“Out-of-Pocket Costs” - Total Cost of Attendance Net of All Aid (Grants, Loans, and Work Study)

Full-time, in-state students in the comprehensive sector, AY 2005-06



How Other Types of Students Pay for College

Independent students

- Lower incomes on average
- Higher federal grant aid
- Higher loan volume

Part-time students

- Federal grants, loans primary sources of aid

FAFSA non-filers

- Limited data (no income data)
- Aid from KEES and institutional grants
- Substantial out-of-pocket costs

College Affordability in Kentucky

Net price, not sticker price, determines financial burden.

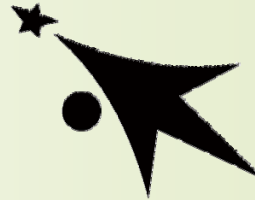
Paying for college involves prioritizing and making sacrifices.

Hard to determine who is not coming because of cost .

- ❖ College affordability not a simple yes or no question.
- ❖ Less affordable now versus 10 years ago.
- ❖ Non-tuition cost of attendance is where affordability concerns arise, especially for low-income students.
- ❖ A large portion of state and institutional grants are not targeted at low-income students.
- ❖ If grant aid decreases or remains flat, it has a similar effect on cost to students as an increase in tuition.
- ❖ There is a considerable reliance on loans at public universities that results in substantial student debt.
- ❖ Many students do not apply for aid.
- ❖ Growing number of students are taking online courses.

**OVERVIEW:
COLLEGE AFFORDABILITY
IN KENTUCKY**

NOVEMBER 7, 2008



**KENTUCKY COUNCIL ON
POSTSECONDARY EDUCATION**

**Keeping the Promise:
Policy Options for
Maintaining College
Affordability**

Policy Options

- ❖ Provide adequate state appropriations with reasonable increases in tuition and financial aid.
- ❖ Increase financial aid for low- to moderate-income students.
- ❖ Commit early to fund gaps in college affordability for low-income students.
- ❖ Protect against unmanageable student debt.
- ❖ Align state and institutional funding with policy goals.
- ❖ Simplify process and communicate real costs (current and future) and benefits of attending and graduating from college.

College affordability not a simple yes or no question .

Public policy needs to be informed by data and careful analysis.