Council on Postsecondary Education
September 28, 2008

Tuition and Mandatory Fee Policy and 2009-10 Tuition Setting Process Update

Over the past several months, Interim President Crofts has had numerous discussions with various stakeholders, including institutional presidents, Council members, and executive and legislative leadership, on the Council's tuition and mandatory fee policy and tuition setting process. The discussions focused primarily on (1) potential changes to the fundamental objectives outlined in the Council's current Tuition and Mandatory Fee Policy, (2) identifying an appropriate process for setting tuition and mandatory fees in 2009-10 and beyond, and (3) construction of a timeline for completion of the process and final approval of tuition and fee rates for 2009-10.

The attached draft Tuition and Mandatory Fee Policy and 2009-10 tuition setting process is submitted to the Council for review and discussion. The final action on the tuition policy, process, and timeline is expected at the November 7, 2008, Council meeting. Actual tuition decisions for the 2009-10 academic year will be made in early spring of 2009.

Highlighted below is a brief summary of the draft recommended changes.

Tuition Policy

With a few notable exceptions, the fundamental objectives of the draft Tuition and Mandatory Fee Policy are similar to the 2008-09 version. Recommended changes to the policy include matching the language used for funding adequacy to that of HB 1, including a stronger statement on affordability, providing more details on the alignment of financial aid, requesting an annual review of efficiencies and cost management strategies, and adding a statement on the importance of attracting out-of-state students to Kentucky.

Tuition Setting Process and Timeline for 2009-10

Based upon discussion with key stakeholders, a phased tuition setting process is being proposed for 2009-10. A major goal of this new process is to greatly expand the amount of time spent discussing and exchanging tuition related data and information between and among Council staff, institutional staff, and Council members. Sharing this information over a longer period of time should lead to greater understanding of key issues and data and provide several opportunities for feedback and direction prior to any formal tuition recommendations being adopted by the Council.

The preliminary timeline for the 2009-10 tuition setting process contains broad categories of activities and anticipated completion dates, including Council action on the revised Tuition and Mandatory Fee Policy (November 2008), exchanges of tuition related data and information gathered by Council staff and institutional representatives (December 2008), campus presentations regarding uses and impact of tuition revenue (January 2009), submission of institutional tuition recommendations to the Council president (February 2009), and final Council action on 2009-10 tuition and mandatory fee rates (March 2009).

Based upon feedback from executive and legislative leadership, the Council staff also recommends an increase in the required minimum tuition and fee charge for nonresident, undergraduate students, from a multiple of 1.75 times the resident rate to a multiple of 2.0 times the resident rate. Any institutions desiring to assess nonresident rates less than the 2.0 multiple would need an exception from the Council.

Recommendations for Future Tuition Decisions

Council staff anticipates that the phased tuition setting process and extended timeline for the 2009-10 tuition setting process will carry forward into 2010-11 and 2011-12. However, a recommendation that has been discussed with institutional chief budget officers and campus presidents is to return to a two-year cycle for setting tuition, the timing of which is still to be determined. The anticipated benefits of moving to a multi-year approach include increased stability of rates over the biennium, enhanced ability of students and their families to plan for increases in college costs, and more lead time for planning and budgeting at the institutional level.

A review of Kentucky's past approaches to tuition setting reveals that the tuition policies, guiding principles, and tuition setting guidelines used over the past decade do not contain explicit statements about the state's long-term policy preferences for resident, undergraduate tuition and mandatory fees. The Council staff recommends that the Council, along with institutional presidents and executive and legislative leadership, engage in a policy discussion to develop a long-term tuition rate philosophy that will guide resident, undergraduate tuition rates moving forward and avoid unintended consequences over the next decade.

Staff preparation by John Hayek and Bill Payne

Council on Postsecondary Education
Tuition and Mandatory Fee Policy

The Council on Postsecondary Education is vested with authority under KRS 164.020 to determine tuition at public postsecondary institutions in the Commonwealth of Kentucky.

Fundamental Objectives

- Advance HB 1 Goals

In discharging its responsibility to determine tuition, the Council seeks to balance the affordability of postsecondary education for Kentucky's citizens with the sufficiency of institutional funding to accomplish the goals of the *Kentucky Postsecondary Education Improvement Act of 1997* (HB 1) and the Public Agenda.

- Funding Adequacy

HB 1 acknowledges that Kentucky shall have a seamless, integrated system of postsecondary education strategically planned and adequately funded to enhance economic development and quality of life. The Council has determined that tuition rates will be examined for their role in ensuring the adequacy of 'total public funds' to support the goals of postsecondary education reform.

- 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 is committed to ensuring that college is affordable and accessible to all academically qualified Kentuckians. The Council believes that no citizen of the Commonwealth who has the drive and ability to succeed should be denied access to the benefits of a college education because of the inability to pay for it through a reasonable combination of financial aid including savings, family contributions, work, grants, and loans.

- Alignment with Financial Aid

In order to ensure affordability and access, the Council recognizes that careful attention must be given to balancing the level of tuition with federal, state, and institutional programs of scholarships and grants. Careful and comprehensive attention must be given to the adequacy and effectiveness of student financial aid programs taking into account (1) the ability to pay in terms of family and individual income; (2) institutional differences in the "discounted" tuition rate; (3) the extent of reliance on loans to finance a college education; and (4) the need to bring more students into the postsecondary education system, i.e., adult learners, part-time students, and students from low-income and minority backgrounds.

- Productivity

In advancing the goals of HB 1, the adequacy of institutional funding is measured against the resources, services, and educational impact which the funds produce. The Council seeks to encourage the productive use of all revenue, including tuition and mandatory fees, and General Fund appropriations. Public postsecondary education institutions should closely review academic and administrative programs to ensure the highest level of productivity and inform the Council on the findings at least annually.

- Balancing Goals

Kentucky's goals of increasing educational attainment, promoting research, assuring access and quality, and promoting productivity must be carefully balanced in the context of current needs, resources, and economic conditions. The Council recognizes the challenge inherent in balancing these goals. The Council has concluded that during periods of relative austerity, the proper alignment of the state's limited financial resources requires increased attention to the goals of HB 1 and the Public Agenda.

- Shared Benefits and Responsibility

Postsecondary education and increased educational attainment confer benefits upon the public at large in the form of a strong economy and an informed citizenry and upon individual students in the form of an elevated quality of life, broadened career opportunities, and increased lifetime earnings. The Council believes that the responsibility for funding postsecondary education services is properly shared among the state, students, and families.

- Out-of-State Students

The Council recognizes the importance of attracting students from outside of Kentucky in order to help advance the reform goals of HB 1. However, the Council is also sensitive to the fact that nonresident undergraduate students should pay a larger proportion of the cost if they choose to attend public postsecondary education in Kentucky.

- Reciprocity

The Council affirms its commitment to providing low-cost access to Kentucky students that live near the border of other states by negotiating reciprocity agreements with these bordering states.

DRAFT
September 28, 2008

Council on Postsecondary Education
2009-10 Tuition Setting Process

Based upon discussions with key stakeholders, including institutional presidents and board chairs, Council members, and executive and legislative leadership, highlighted below are some important elements to consider in discharging the Council's responsibility, a note on the nonresident multiplier for 2009-10, and the general description of a revised tuition setting process and timeline for 2009-10.

Council staff has shared this information with institutional presidents and chief budget officers and is in the process of soliciting their feedback and advice. Based on the Council discussion and ongoing conversations with campus administrators, Interim President Crofts will submit a final draft for consideration at the November 7, 2008, Council meeting.

- Rational, Transparent, and Fair

The Council seeks to design a process for the discharge of its responsibility to determine tuition which is rational, transparent, and fair. In this context:

  - A rational approach is one that is well aligned with state goals for public postsecondary education in Kentucky.
  - A transparent approach is one that clearly articulates the rationale for its selection, is explicit about any underlying assumptions related to its function, and provides ample opportunity for stakeholder comment during its development.
  - A fair approach is one that is impartial and recognizes that tuition rates and rate increases need not be the same for all institutions.

- Data Driven

The approach to tuition setting shall be responsive to relevant data and to public discourse on tuition policy issues. Council and public postsecondary education institutional staff will be responsible for providing such data as the Council may deem appropriate to a meaningful evaluation of the tuition and fee requests.

- Nonresident Tuition Rates for 2009-10

Staff recommends that nonresident undergraduate tuition and mandatory fee charges shall be not less than two times higher than Council approved resident rates for the 2009-10 academic year. Any institution desiring to assess a nonresident rate that is less than two times the resident rate should request an exception to this policy as part of its tuition rate recommendation. This is an increase from the 1.75 multiple used in 2008-09.

- Communication with a Goal Toward Consensus Building

Determining tuition and mandatory fee rates for 2009-10 will be a phased process whereby relevant data and information will be exchanged between the Council and representatives of the public postsecondary institutions over a five month period, starting in November 2008 and ending with action on tuition rates in March 2009.

- Description of Tuition Setting Phases

Phase I - Council staff will review with the Council historical funding information related to state support and previous tuition decisions. Institutional staff members will share with the Council information related to the impact of previous budget decisions on institutional operations, as well as highlight various cost management and efficiency strategies used to address issues of quality and productivity. At the end of Phase I, Council members will be aware of the history of budget and tuition decisions and be able to assess the cost management and productivity strategies of the institutions. The Council may by direct action or consensus convey general direction to the institutions.

Phase II - Council staff will exchange with institutional staff data related to the fundamental tuition objectives, with particular attention to funding adequacy, affordability, access, financial aid, and productivity. Institutional staff will exchange with Council staff data and information related to changes in fixed costs, the use of new tuition revenue, estimated student enrollment, student debt, tuition discounting strategies including the use of need- and merit-based student financial aid, and the involvement of students and the community in the tuition setting process. At the end of Phase II, Council members will know what each institution needs beyond efficiencies and productivity increases in order to meet increases in fixed costs and high priority strategic investments. The Council may by direct action or consensus convey general direction to the institutions.

Phase III - Council staff will meet several times with each institution to discuss data collected and exchanged during Phases I and II, in addition to other data and information pertinent to the tuition setting process. The Council president will report to the Council on the status of these discussions. At the end of Phase III, the Council will have a solid understanding of where each institution stands related to key tuition fundamentals including funding adequacy, affordability, access, financial aid, and productivity. The Council may by direct action or consensus convey general direction to the institutions.

Phase IV - Council staff will solicit and review draft tuition recommendations from the institutions. Again, the Council president will report to the Council on the status of these draft recommendations. The Council may by direct action or consensus convey general direction to the institutions.

Phase V - Council staff makes a recommendation to the Council on 2009-10 tuition and mandatory fee rates and the Council takes action.

- Timeline for 2009-10 Tuition Setting Process

Phase I

Nov. 2008	Council takes action on revised tuition policy for 2009-10; Council staff reviews historical data, and institutional staff reviews the impact of previous year budget and cost management/productivity strategies on institutional operations.

Phase II

Dec. 2008	Council staff shares with institutional staff updated data and information related to funding adequacy, affordability, access, financial aid, and productivity.
Dec. 2008	Institutional staff shares with Council staff updated data and information related to fixed cost increases, use and impact of additional tuition revenue, financial aid, and student debt.
Jan. 2009	Institutions share information with the Council on the use and impact of additional tuition revenue.

Phase III

Jan.- Feb. 2009	Council and institutional staff meet to discuss tuition data and information. The Council president updates the Council on these discussions.

Phase IV

Feb. 2009	Institutions share draft tuition recommendations with the Council president. The Council president updates the Council on the draft recommendations.

Phase V

March 2009	The Council takes action on 2009-10 tuition and mandatory fee rates.

Council on Postsecondary Education
Recommendations for Future Tuition Decisions

Two additional recommendations surfaced during discussions of the tuition policy and tuition setting process. The first is to get the Council to move back to a multi-year approach to setting tuition rates and the second is to establish a long-term tuition philosophy to help parents and institutional representatives better budget and plan for the future.

Tuition Setting Process for 2010-11 and 2011-12

Council staff anticipates that the phased tuition setting process and extended timeline for the 2009-10 tuition setting process will carry forward into 2010-11 and beyond. However, a recommendation that has been discussed with institutional chief budget officers and campus presidents is to return to a two-year cycle for setting tuition, the timing of which is still to be determined. Thus, after setting the 2009-10 rates in March 2009, the next round of tuition setting would be for both 2010-11 and 2011-12. The anticipated benefits of moving to a multi-year approach include increased stability of rates over the biennium, enhanced ability of students and their families to plan for increases in college costs, and more lead time for planning and budgeting at the institutional level.

The timing of when the multi-year approach would take effect needs to be discussed. However, one scenario might be to wait until after the General Assembly enacts the 2010-12 budget in April 2010. Another scenario might be to set target or final tuition rates along with the Council's 2010-12 budget recommendation in November 2009. Of course, if the enacted budget was dramatically different than forecasted or if the state budget changed significantly within the biennium, the Council could always consider mid-biennial changes.

Long-Term Tuition Rate Philosophy

A review of Kentucky's past approaches to tuition setting reveals that the tuition policies, guiding principles, and tuition setting guidelines used over the past decade do not contain explicit statements about the state's long-term policy preferences for resident, undergraduate tuition and fees. The Council staff recommends that the Council, along with institutional presidents and executive and legislative leadership, engage in a policy discussion to develop a long-term tuition rate philosophy that will guide resident, undergraduate tuition rates moving forward and avoid unintended consequences over the next decade. This longer-term view of tuition would likely provide greater predictability to the general public in terms of anticipated increases in college costs, as well as to institutional staff in terms of effective budgeting, planning, and providing a stable revenue stream needed to achieve HB 1 reform goals by 2020.

According to a tuition policy survey published by SHEEO in 2006, about half of all higher education agencies categorized their tuition philosophy as expressly supporting specific levels of tuition for undergraduate students. Some states, such as Illinois, Minnesota, Pennsylvania, and Tennessee, will vary this philosophy by sector.