

**Council on Postsecondary Education
November 7, 2008**

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

ACTION: The staff recommends that the Council approve the attached Tuition and Mandatory Fee Policy and 2009-10 Tuition Setting Process.

At the Council's September 28 meeting, the staff presented for Council review and discussion draft Tuition and Mandatory Fee Policy and 2009-10 Tuition Setting Process documents. Since that meeting, CPE staff worked collaboratively with institutional presidents, chief budget officers, and Council members to refine these documents, which are presented for Council action.

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 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 in the context of current needs, effective use of resources, and economic conditions. For the purpose 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 Public Agenda for 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 Public Agenda.

- Shared Benefits and Responsibility

Postsecondary educational 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 the state and federal government, 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 the inability to pay. Access should be provided through a reasonable combination of savings, family contributions, work, and financial aid including grants and loans.

In the development of 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.

- Attracting and Importing Talent to Kentucky

The Double the Numbers Plan recognizes that Kentucky cannot reach its 2020 educational attainment goals by focusing on Kentucky residents alone. Tuition reciprocity agreements, which provide low-cost access to Kentucky students that live near the borders of other states, also serve to attract students from border states to Kentucky's colleges and universities. Likewise, the Double the Numbers Plan includes nonresident students in institutional degree production targets for 2020 as well as targets for importing individuals with degrees from other states to live and work in Kentucky.

The Council and the institutions are committed to making Kentucky's institutions financially attractive to nonresident students while recognizing that nonresident undergraduate students should pay a significantly larger proportion of the full educational cost in order to keep the cost for Kentuckians as moderate as possible. Any proposed policy on nonresident tuition and mandatory fees should also be evaluated based on its potential impact on attracting and retaining students which directly enhance diversity and Kentucky's ability to compete in a global economy.

- 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, 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. The Council's key indicators of progress shall be used to monitor both statewide and institutional performance toward HB 1 goals.

The institutions also recognize their responsibility to demonstrate that they are good stewards of limited public resources by providing annual reports to their governing boards and the Council on their efforts to contain costs, improve efficiencies and productivity, and reallocate existing resources to high priority activities.

Council on Postsecondary Education 2009-10 Tuition Setting Process

Determining tuition and mandatory fee rates for academic year 2009-10 will be a collaborative and iterative process in which all stakeholders will participate. The process commenced with Council staff engaging institutional staff and the Council president engaging Council members and other key stakeholders in discussions starting in July 2008. The Council reviewed a draft at its September 28, 2008, meeting. It is anticipated that the Council will approve the revised policy and process in November 2008 and end with Council action on tuition and mandatory fees in March 2009.

- Council staff and institutional representatives will collectively review and discuss information relevant to the tuition setting process during the fall and winter.
- The Council president will report to the Council on the status of these discussions throughout the process.
- The Council may, by direct action or by consensus, convey general direction to the institutions throughout the process.
- Council staff and institutional representatives will work collaboratively during January and February 2009 toward the goal of developing consensus on the recommended tuition and mandatory fees.
- Council staff will update the Council on progress made toward a draft recommendation in February 2009.
- The Council expects 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.
- Council staff will recommend tuition and mandatory fees to the Budget and Finance Policy Group and the Council for approval in March 2009.

The Council and the institutions are committed to engaging in a process that is rational, transparent, fair, and evidence-based.

- 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.
- An evidence-based approach is one that considers both relevant historical information as well as prospective institutional strategies for addressing the fundamental tuition objectives set forth in this policy.

Relevant information to be reviewed and discussed throughout the tuition setting process may include, but is not limited to, the following:

- Historical funding patterns.
- Effective use of institutional resources.
- College affordability, financial aid, student debt, and ability to pay.
- Student access, enrollment patterns, impact on academic quality, and other market factors.
- Fixed costs and priority strategic investments.
- Funding adequacy and tuition revenue estimates.

Council on Postsecondary Education Recommendations for Future Tuition Decisions

Tuition Setting Process for Academic Year 2010-11 and 2011-12

The Council staff recommends that the Council move to a process of setting tuition rates on a multi-year basis starting with tuition rates for academic year 2010-11 and academic year 2011-12. Similar to the anticipated exchange of information for academic year 2009-10, Council members, Council staff, and institutional representatives will discuss data and information pertinent to the fundamental objectives set forth in the Council's tuition policy over an extended period of time.

The process of setting tuition rates on a multi-year basis will begin in May 2009 and could end either with Council action on tuition rates in November 2009 along with its 2010-12 budget recommendation or after the General Assembly enacts a budget in April 2010.

The exact timing of when the Council will take action on the academic year 2010-11 and 2011-12 tuition rates is still to be determined based upon additional discussions with the institutions and the Council.

Long-Term Funding Strategy for Postsecondary Education in Kentucky

The Council staff also recommends that the Council, along with institutional representatives and executive and legislative leadership, engage in a discussion over the next year to develop a long-term funding strategy for postsecondary education in Kentucky, which includes strengthening the link between tuition, financial aid, and state appropriations. This long-term strategy will provide useful guidance to the Council in fulfilling its statutory responsibility of submitting a budget recommendation on behalf of postsecondary education.

This long-term view and a stronger alignment between tuition, financial aid, and state appropriations will provide greater predictability to the general public in terms of anticipated increases in college costs. It also will create a more stable and predictable revenue stream for improved state and institutional strategic planning and increase the likelihood of achieving Kentucky's postsecondary education reform goals by 2020.