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## Presentation to Appropriations and Revenue Committee

## Budget Review Subcommittee on Postsecondary Education

Robert L. King, President  
Kentucky Council on Postsecondary Education  
January 18, 2018

# CPE's Role in Higher Education Finance

- Biennial Budget Recommendation
- Tuition and Fee Setting
- Performance Funding Model





# Biennial Budget Recommendation

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- Directed in statute to make biennial budget request for postsecondary education → 164.020(9)
- Request components:
  - 1) Institutional Operating Funds
  - 2) Trust Funds
  - 3) Capital Projects
  - 4) Agency Operating Funds
- Collaborative process:
  - Council members and CPE staff
  - Campus presidents and chief budget officers



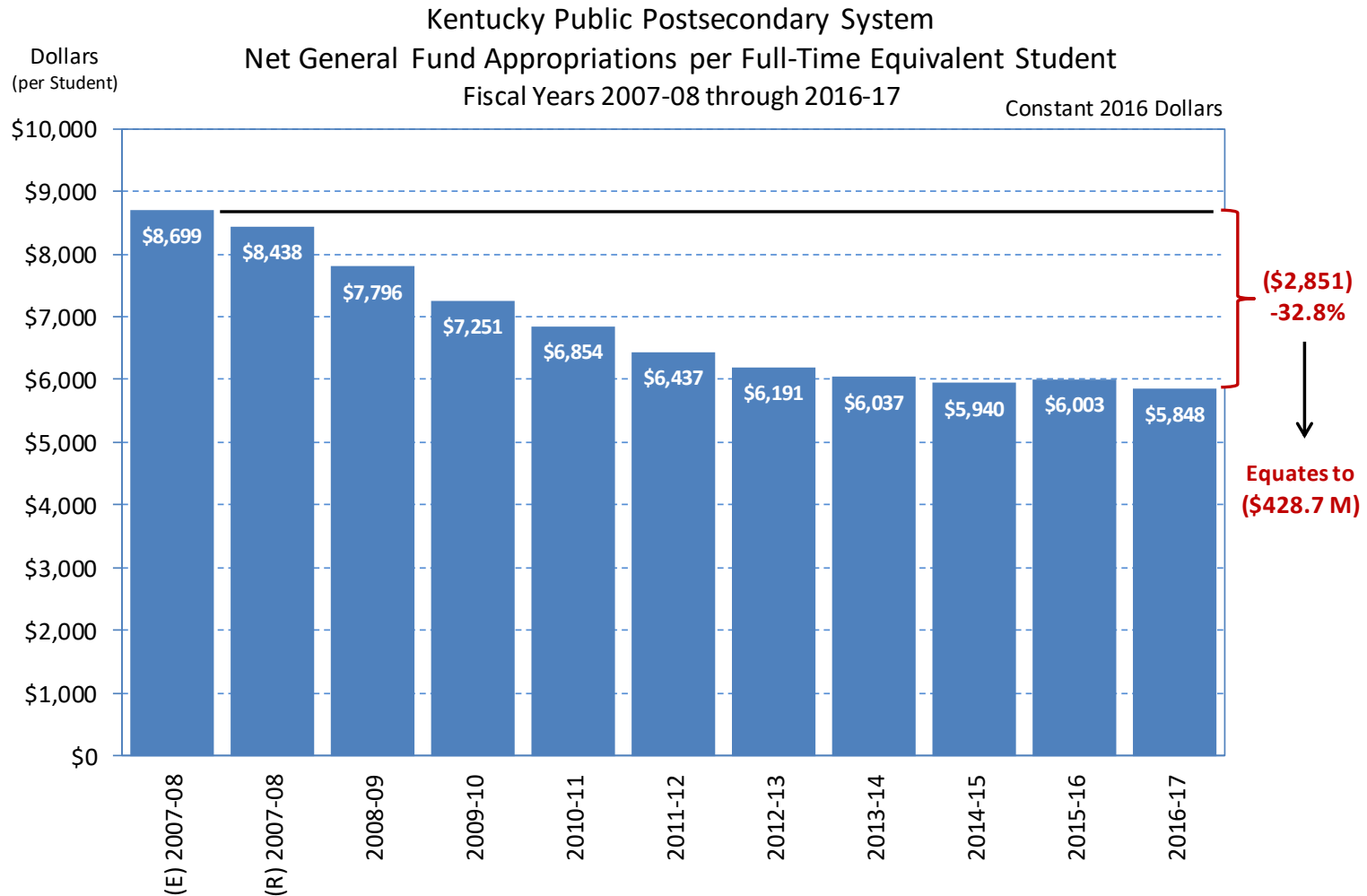
# 2018-20 Budget Recommendation

Funding Component	Fiscal 2018-19	Fiscal 2019-20
Operating Funds		
Performance Funding	\$18,937,500	\$36,512,200
Special Initiatives		
KERS Increases	\$47,247,500	\$47,247,500
Competitive Workforce Initiative	\$3,561,100	\$5,935,100
KSU Land Grant Match	290,000	290,000

Funding Component	State Bond Funds	Annual Debt Service
Trust Funds		
Bucks for Brains	\$90,000,000	\$8,217,000
Capital Projects		
Asset Preservation	\$600,000,000	\$50,903,000



# Decade of Funding Cuts

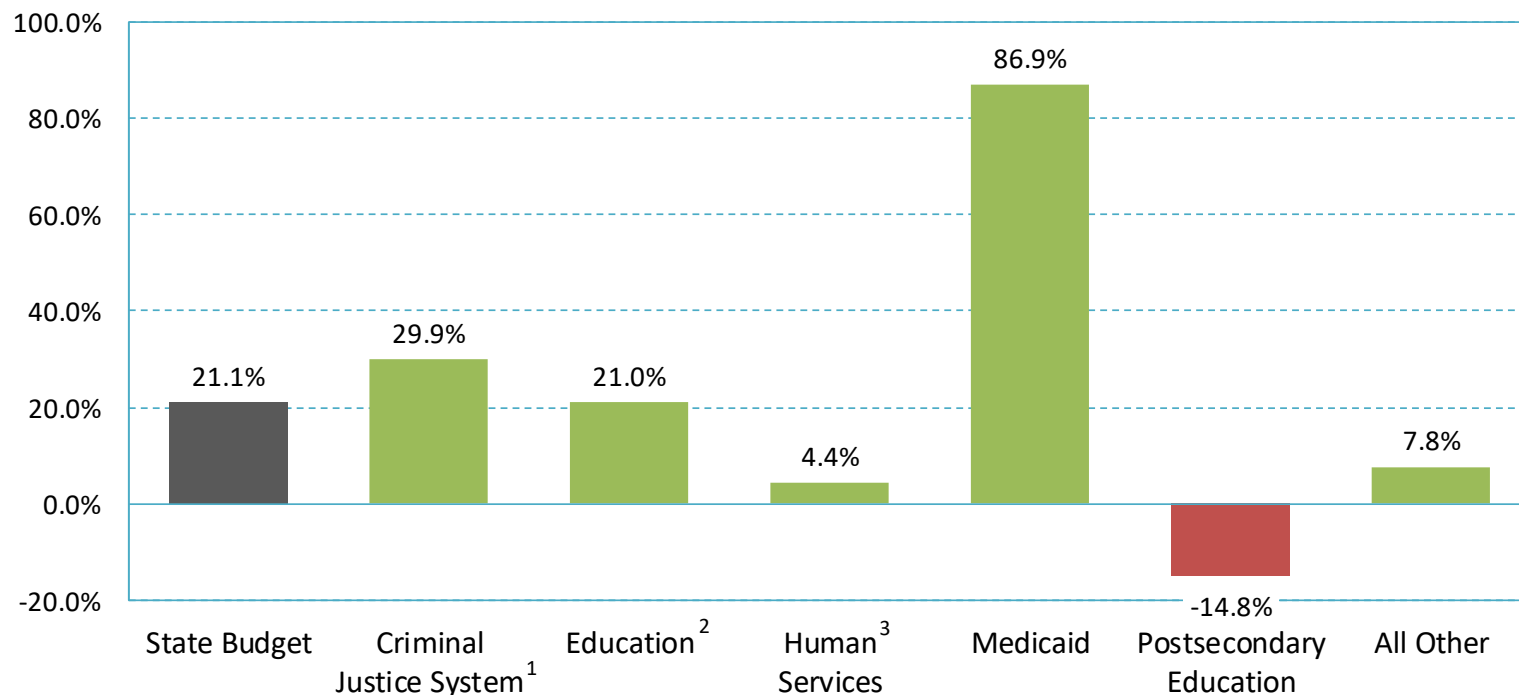


(E) = Enacted; (R) = Revised.

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

# Focus on Other Priorities

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



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

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

<sup>3</sup> Human Services includes the Health and Family Services Cabinet (net of Medicaid).

Source: Kentucky Budgets of the Commonwealth, various years.



# Most States Reinvesting

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



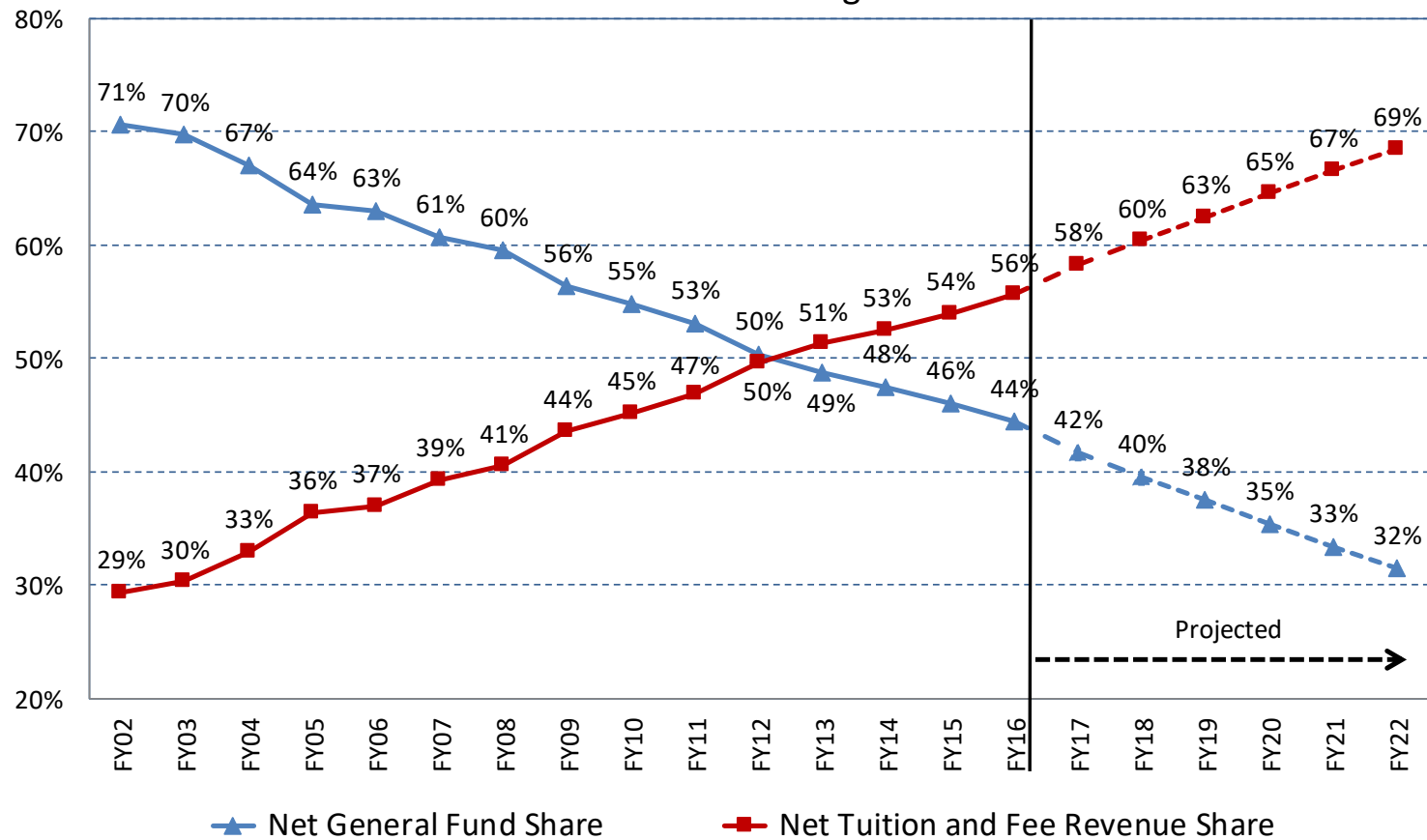
Source: "Grapevine" Report, Center for the Study of Education Policy and the Association of State Higher Education Executive Officers, 2016.





# 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



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



# Tuition and Fee Setting

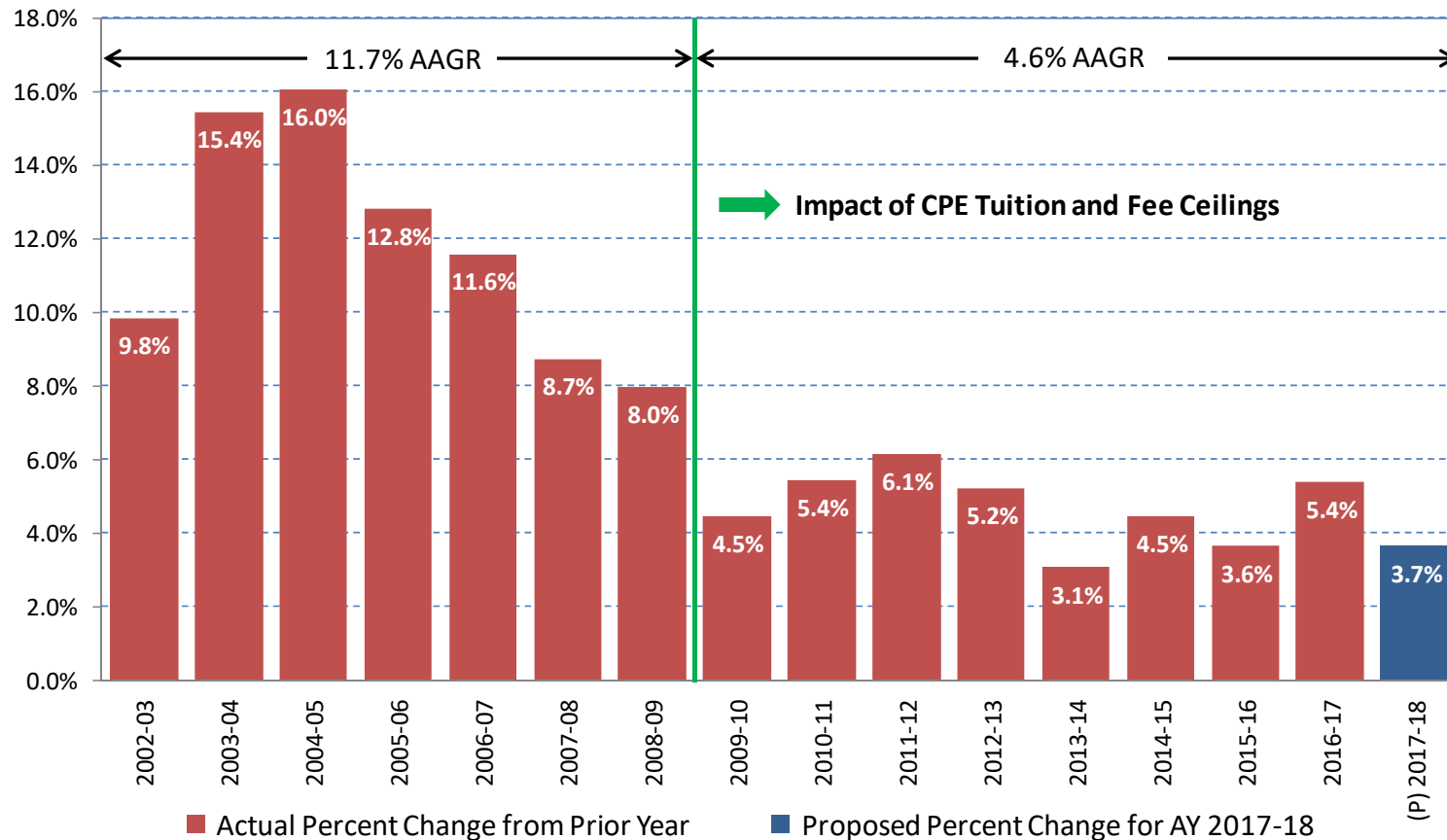
# Tuition and Fee Setting

- Council has statutory authority to determine tuition  
→ KRS 164.020(8)
- Typically exercised annually in form of tuition ceilings
- Collaborative process
  - Council members and CPE staff
  - Campus presidents and chief budget officers
  - Student groups
- Data driven
  - Sticker and net price comparisons
  - Trends in state appropriations
  - Student financial aid and average loan debt
  - State and student shares of total public funds
  - Fixed and unavoidable cost increases



# Impact of Tuition Ceilings

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

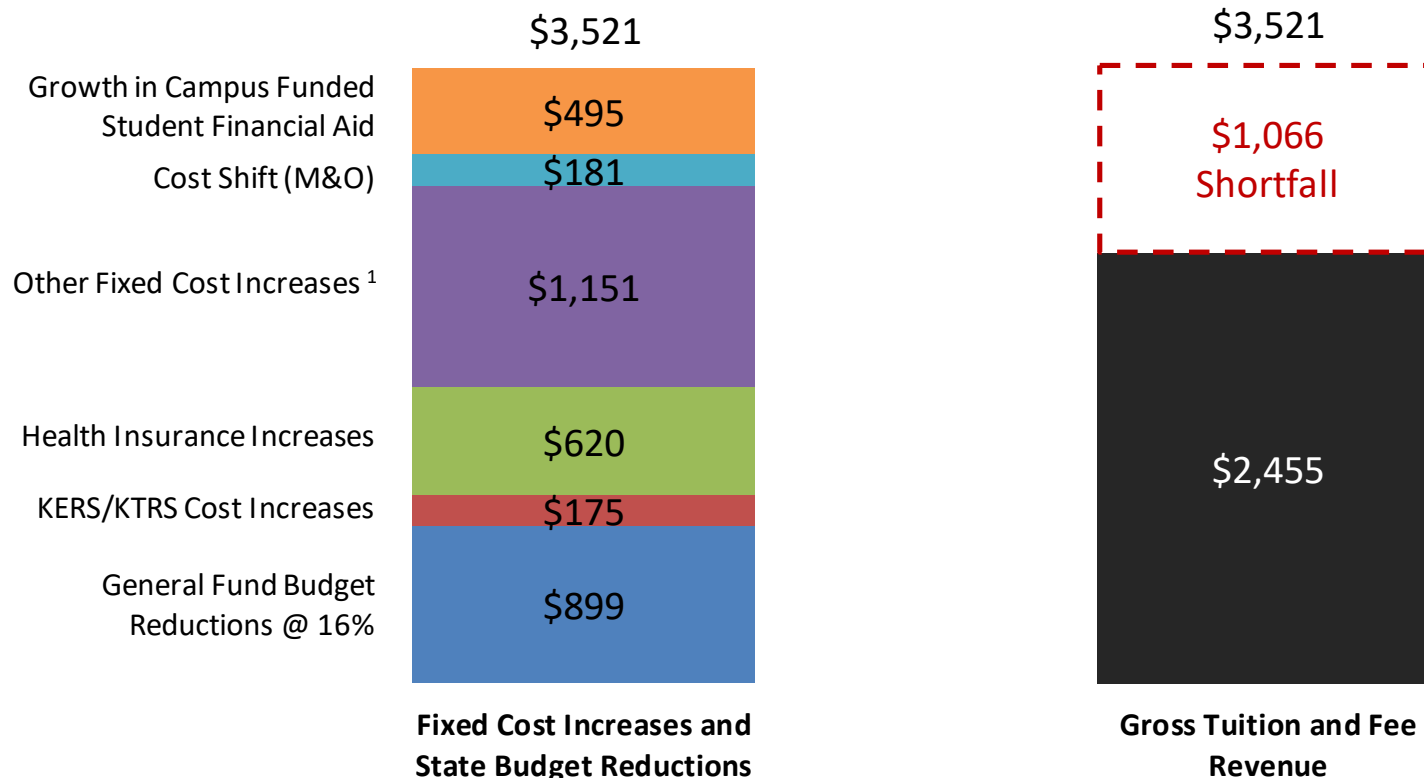


Source: Council on Postsecondary Education, Comprehensive Database.

P = Proposed  
AAGR = Average Annual Growth Rate

# Budgetary Shortfall (Cumulative)

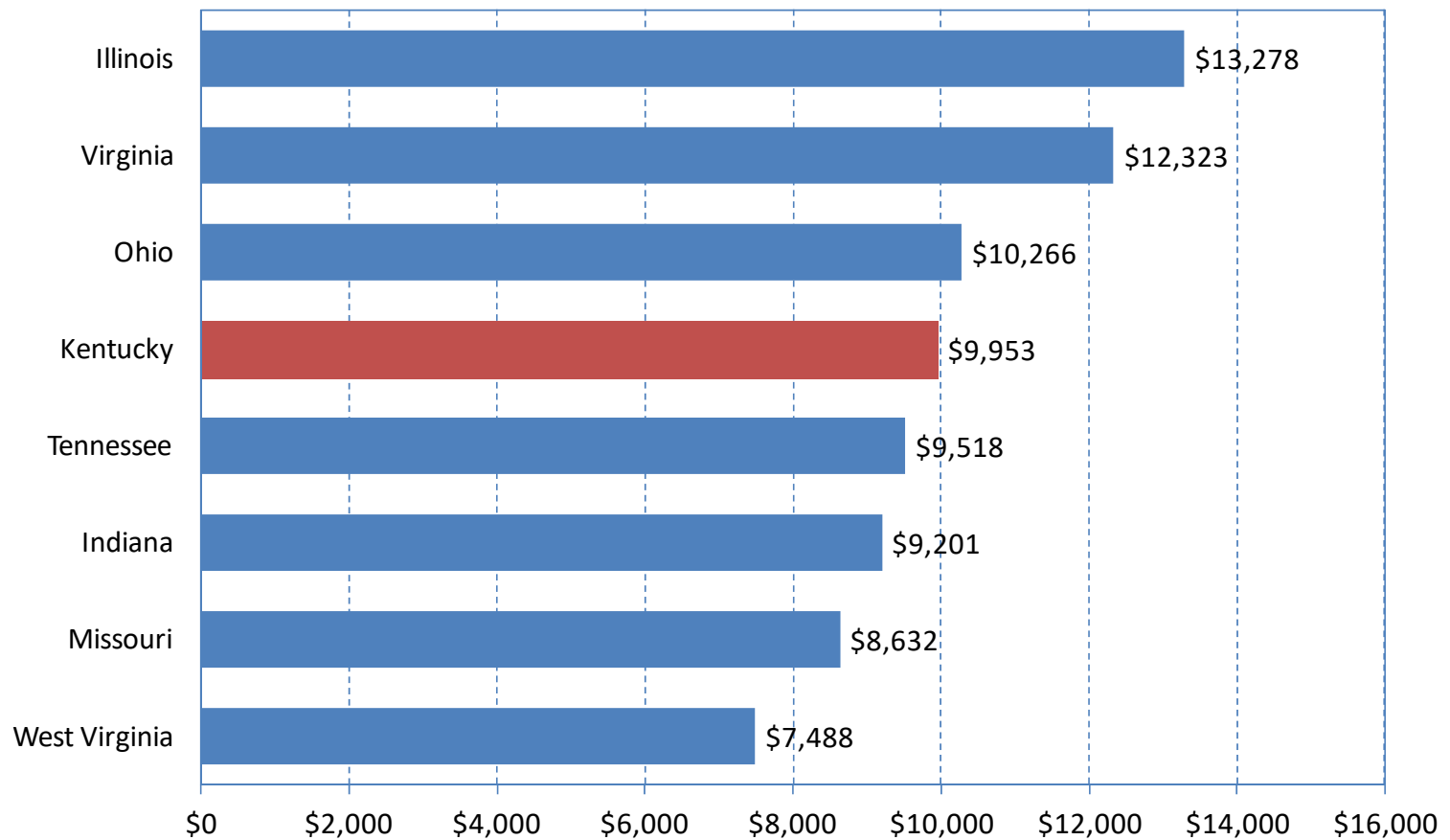
Budget Challenges for Postsecondary Institutions  
 Fiscal Years 2007-08 through 2014-15  
 (Dollars in Millions)



<sup>1</sup> Includes utilities, mandated tuition waivers, and contractual obligation cost increases.  
 Source: Council on Postsecondary Education, Comprehensive Database.

# Sticker Price Comparison (Four-Year)

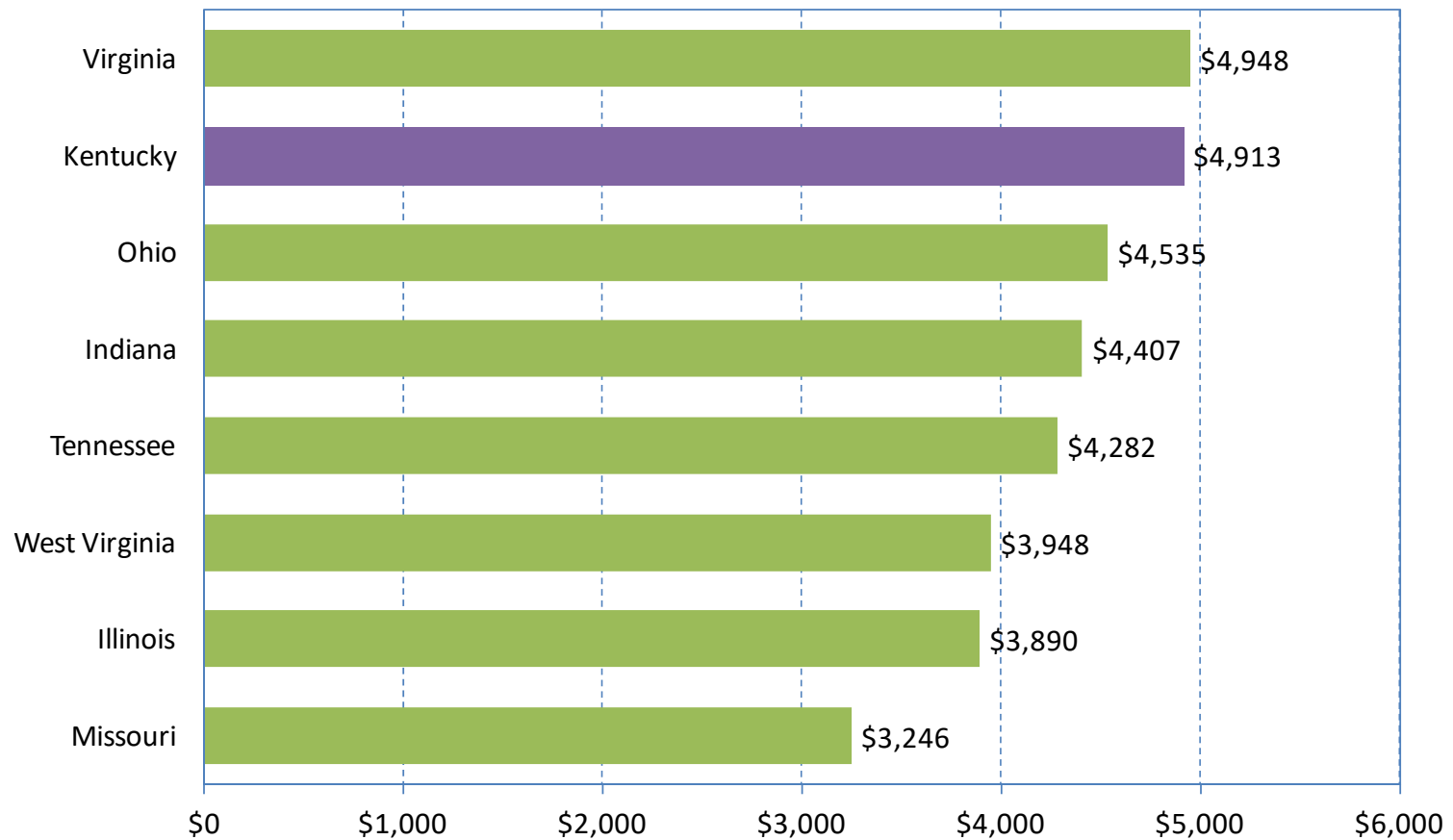
Public Four-Year Universities in Kentucky and Surrounding States  
Resident Undergraduate Tuition and Fees  
Academic Year 2016-17



Source: College Board, Trends in College Pricing 2016.

# Sticker Price Comparison (Two-Year)

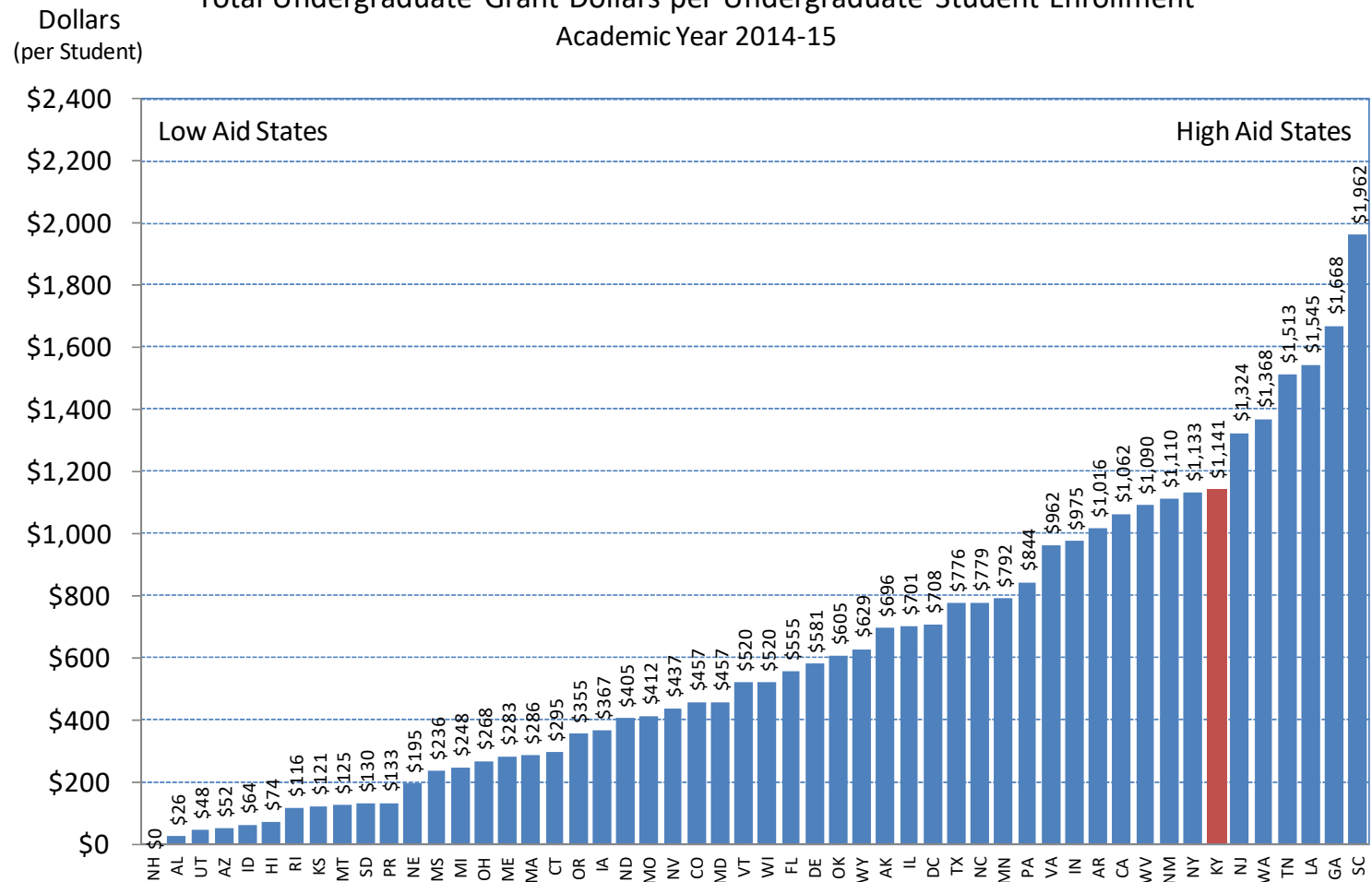
Public Two-Year Colleges in Kentucky and Surrounding States  
Resident In-District Tuition and Fees  
Academic Year 2016-17



Source: College Board, Trends in College Pricing 2016.

# Kentucky is "High Aid" State

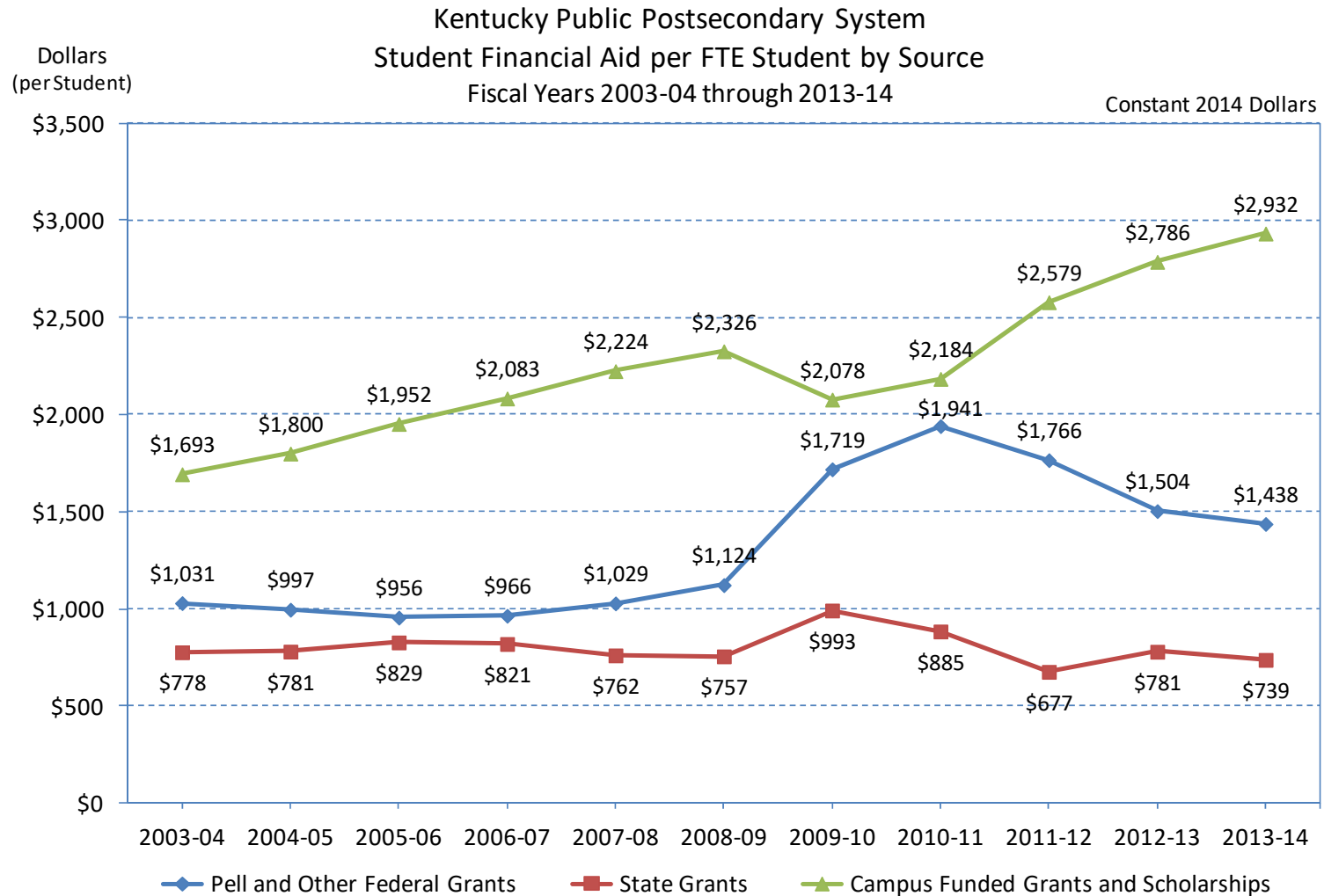
State Funded Student Financial Aid Programs in the United States  
Total Undergraduate Grant Dollars per Undergraduate Student Enrollment  
Academic Year 2014-15



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



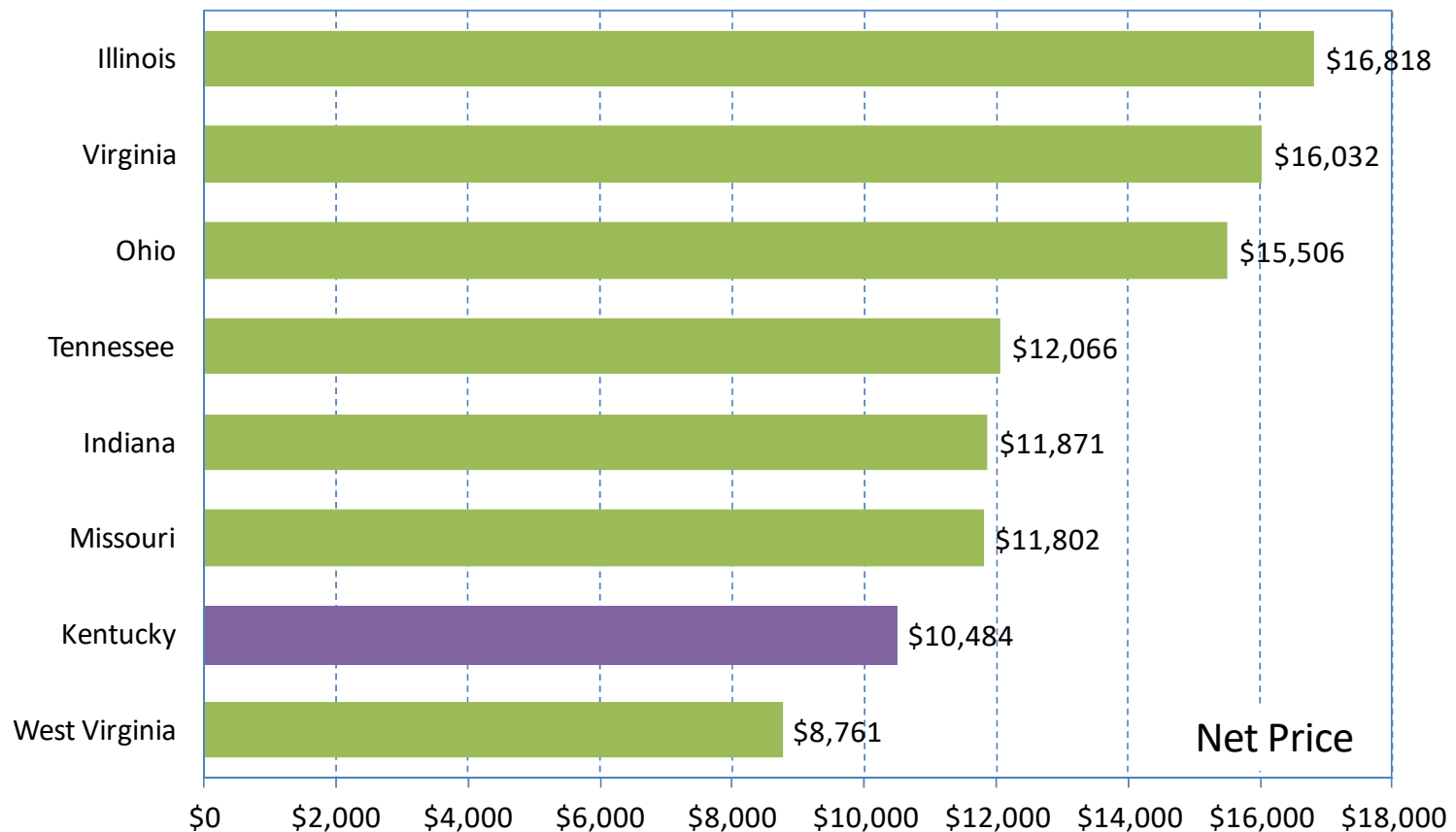
# Growth in Campus-Based Aid



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

# Net Price Comparison (Comprehensive)

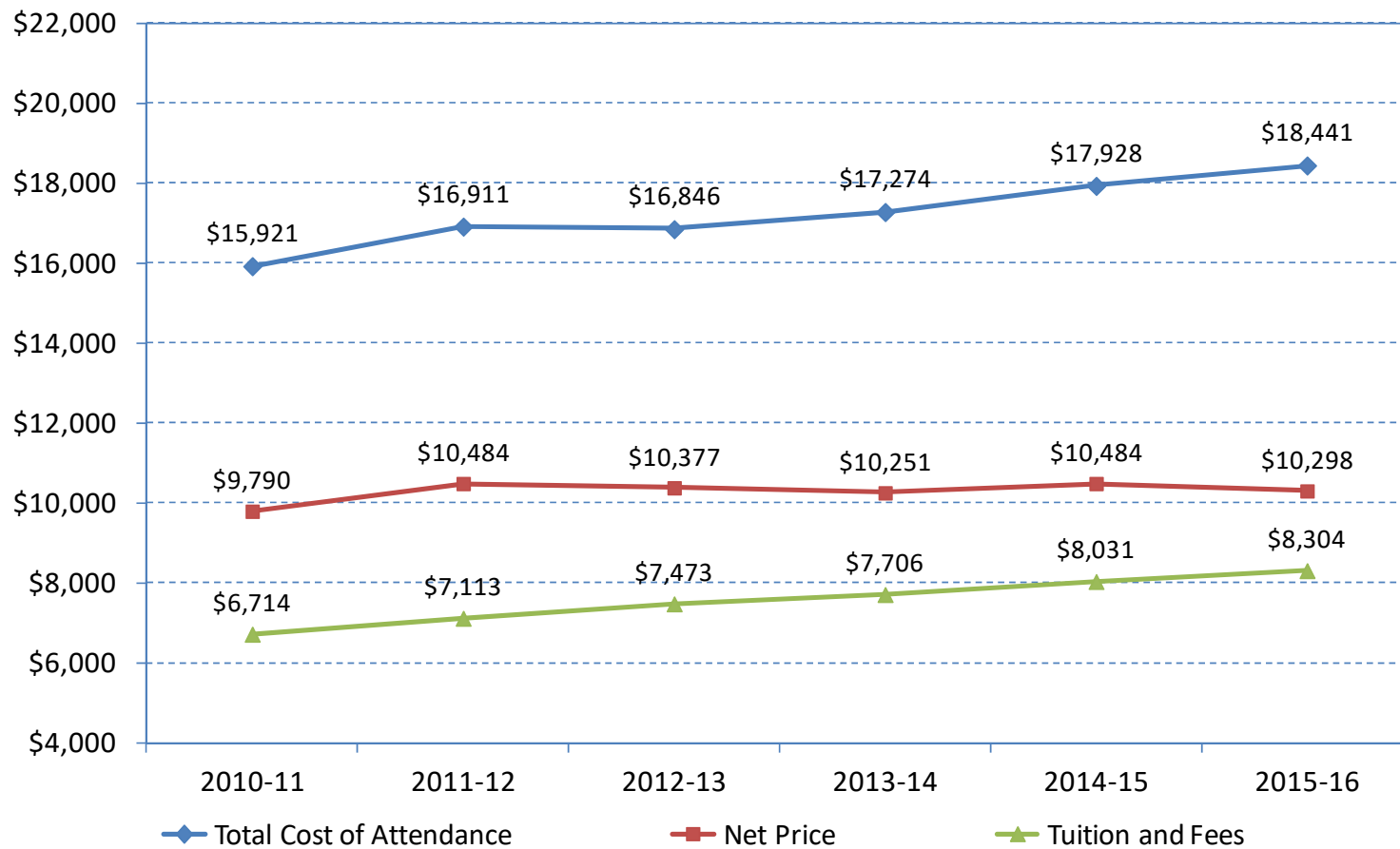
Comprehensive Universities in Kentucky and Surrounding States  
Average Net Price of First-Time Full-Time Resident Undergraduate Students  
Academic Year 2014-15



Source: Integrated Postsecondary Education Data System (IPEDS).

# Trend in Net Price (Comprehensive)

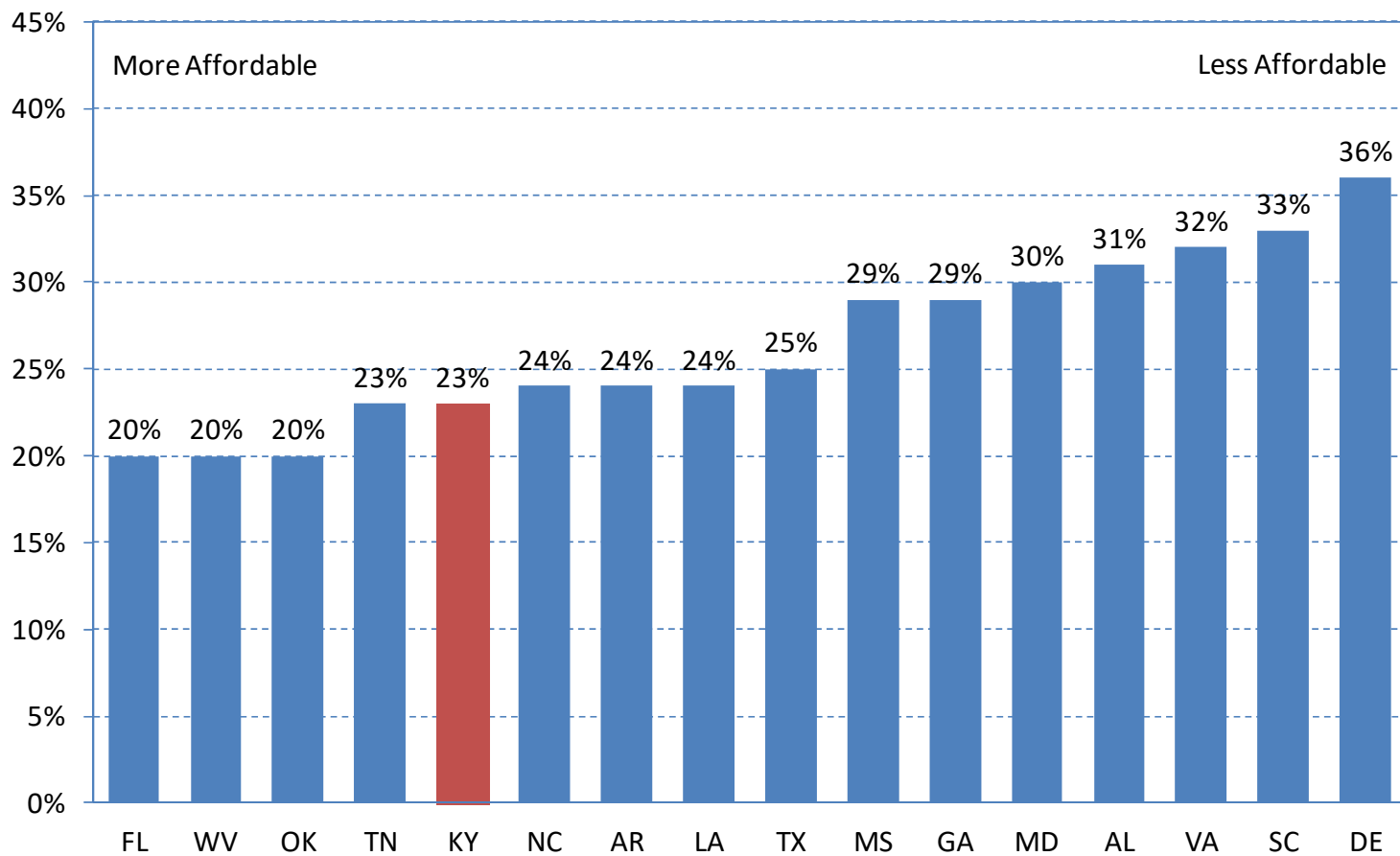
Kentucky Public Comprehensive University  
 Cost of Attendance, Net Price, and Tuition and Fees of Resident Undergraduates  
 Academic Years 2010-11 through 2015-16



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

# Net Price % of Income (Four-Year)

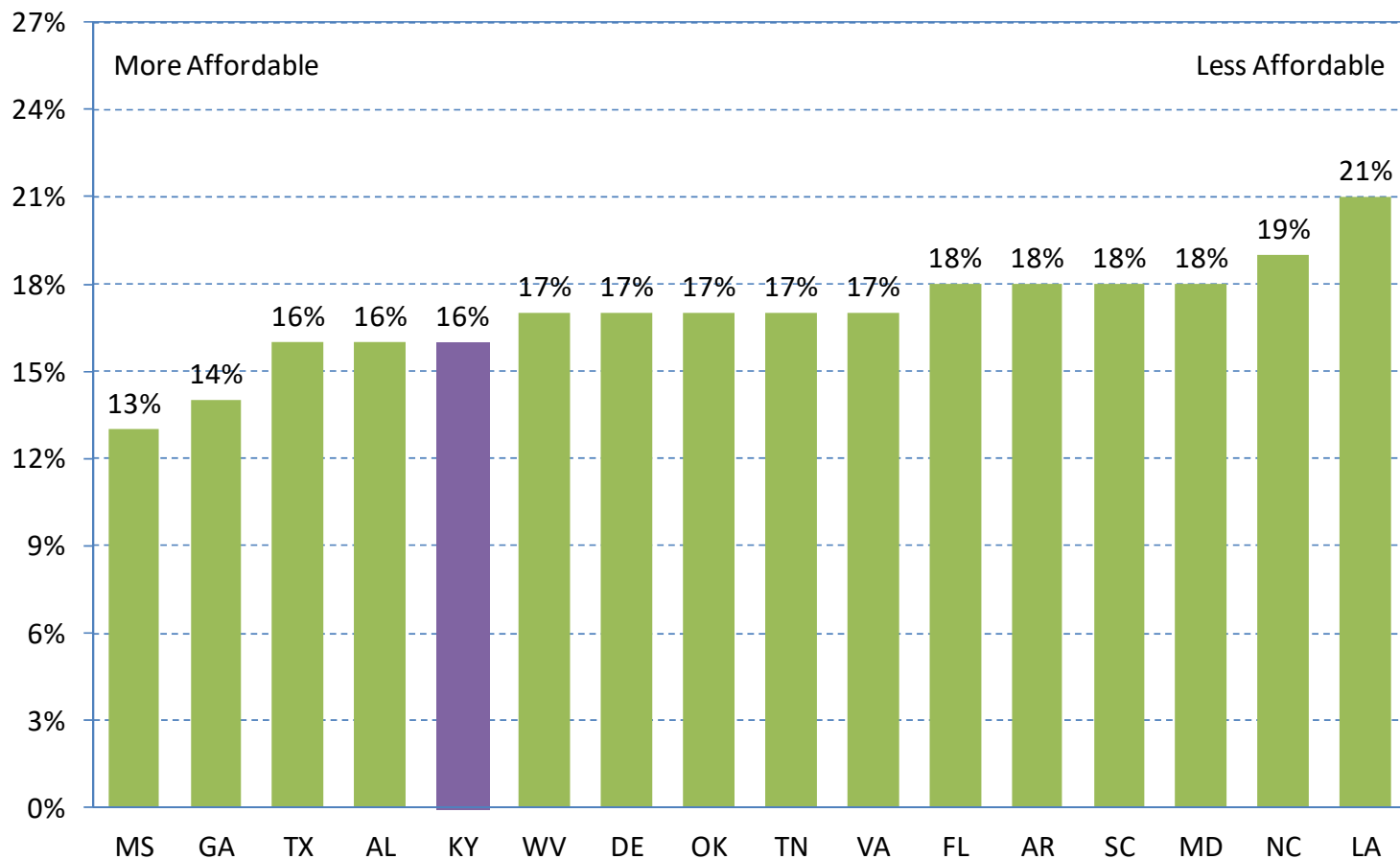
Public Four-Year Colleges in SREB Member States  
Average Net Price as a Percent of Median Family Income  
Academic Year 2013-14



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



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



# Performance Funding Model

# Performance Funding Model

- The 2016 budget bill (HB 303) directed the Council to establish a working group composed of:
  - The Governor (or representative)
  - President of Senate (or representative)
  - Speaker of the House (or representative)
  - President of each public university and KCTCS
  - Council president
- Charged with developing a comprehensive model for allocating state appropriations that incorporates:
  - Campus performance
  - Mission
  - Enrollment



# Funding Model Features

- Outcomes-based funding model that distributes 100% of allocable General Fund appropriations for institutional operations using rational criteria:
  - 70% distributed based on performance
    - student success outcomes
    - course completion
  - 30% in support of vital campus operations
    - operation and maintenance of facilities
    - institutional support
    - academic support





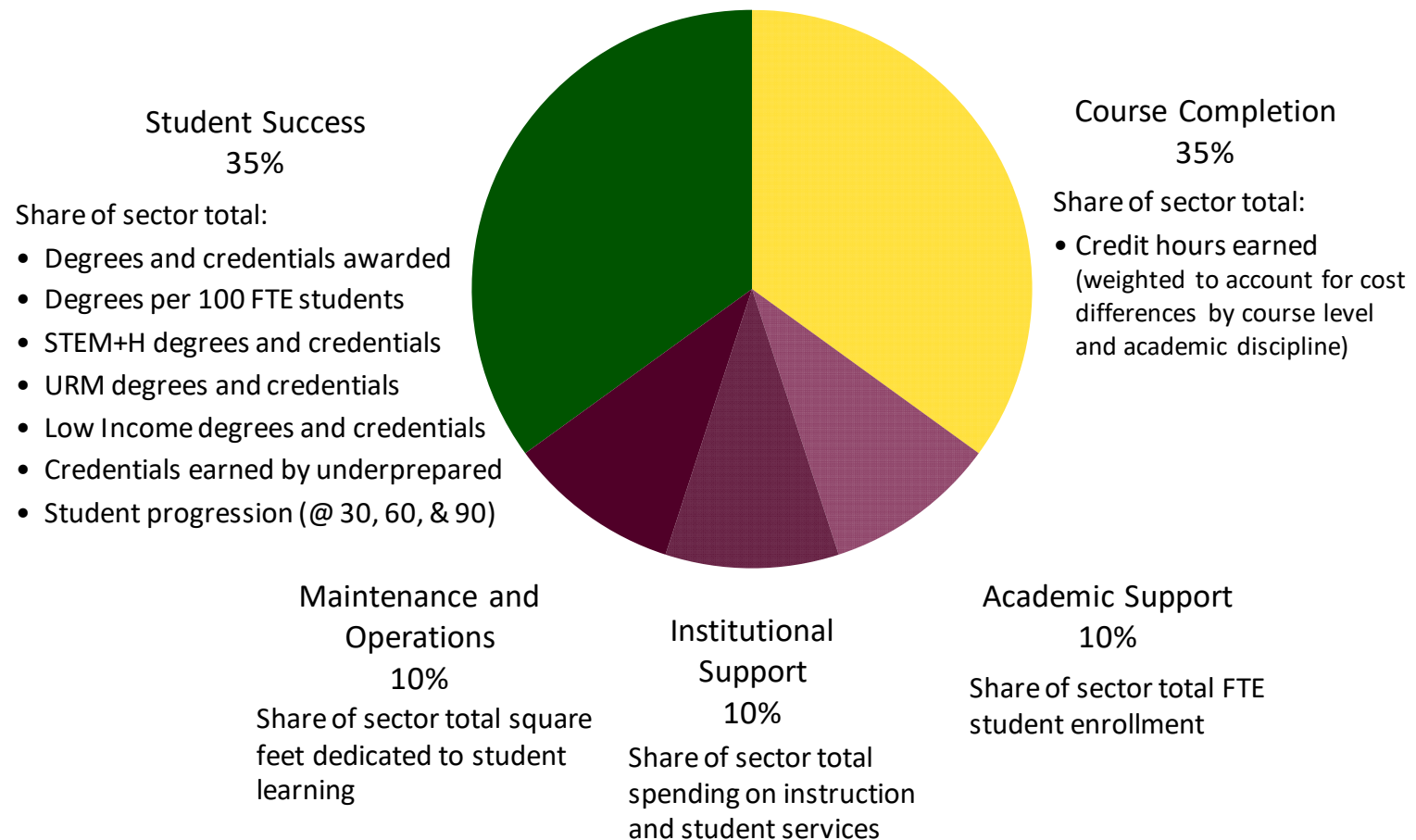
# Funding Model Features (Cont'd)

- All public four-year institutions included in a common performance pool
- Safeguards ensure research and comprehensive sectors on equal footing at initial implementation
- KCTCS institutions in a separate performance pool
- Both models include adjustment to minimize impact on smaller universities and two-year colleges
- Employs hold harmless and stop loss provisions in early years of implementation



# Funding Model Components

## Kentucky's Outcomes-Based Funding Model Distribution of Allocable Resources



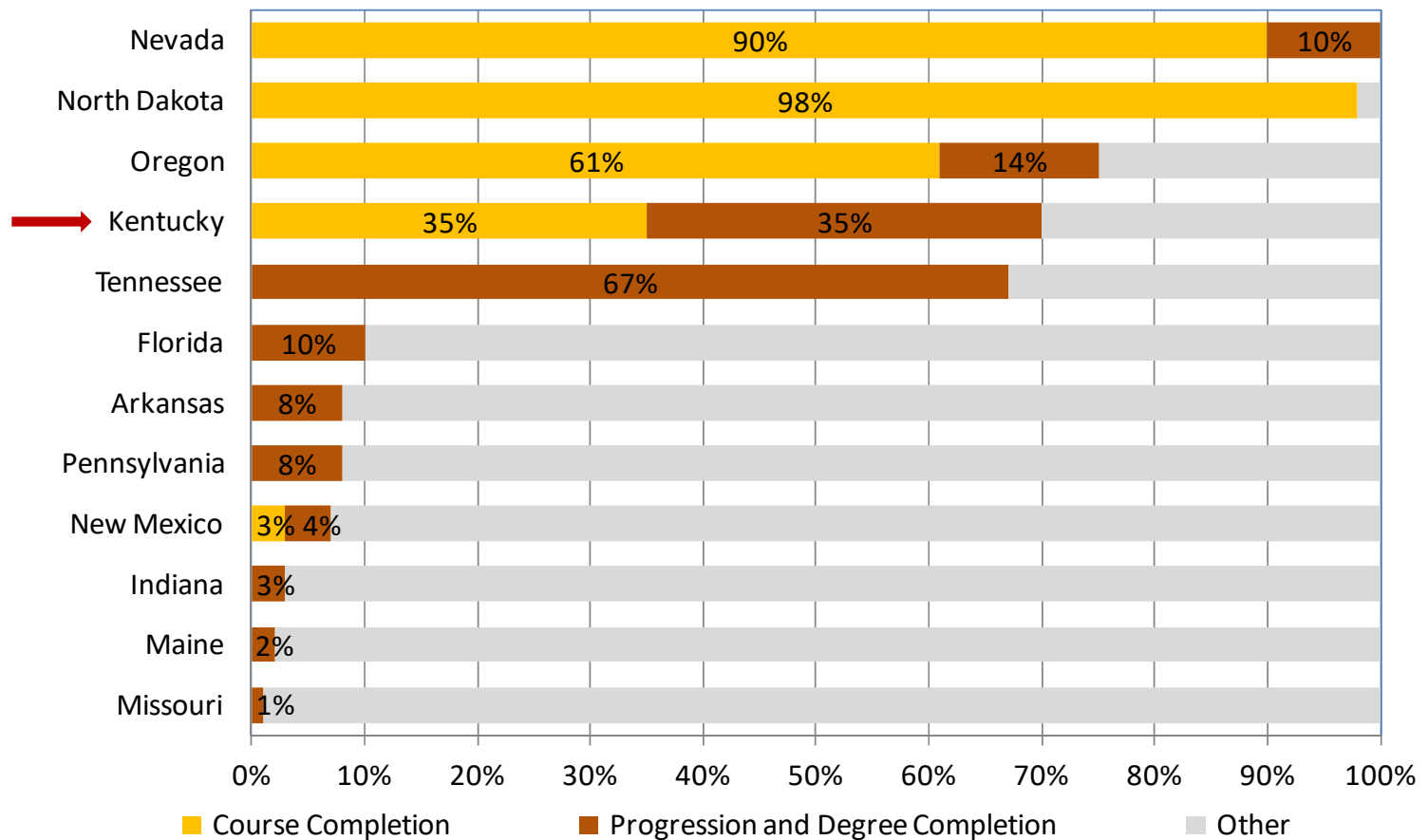
# Funding Model Goals

- Increase retention and progression of students toward timely completion
- Increase numbers of credentials, associate degrees, and bachelor's degrees earned by all student types
- Grow numbers of credentials and degrees that garner higher wages upon completion:
  - STEM+H fields
  - high demand fields and targeted industries
- Close achievement gaps by increasing credentials and degrees earned by underrepresented minority, low income, and underprepared students



# Funding Model Comparison

Outcomes-Based Funding in Four-Year Sector  
as Percentage of Overall State Support  
December 6, 2016



Source: Snyder and Fox (2016), HCM Strategists, *Driving Better Outcomes: Fiscal Year 2016 State Status & Typology Update*.



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