

Council on Postsecondary Education

2019 Board-Identified Priorities

At the 2019 board retreat the board identified five possible strategies to help close the gap between the state's current educational attainment trajectory and the needed trajectory to achieve the state's 60x30 goal. The board asked that staff review each of the proposals and bring back information and data to the board responding to the following questions:

- Will this strategy help Kentucky accelerate progress on the 60x30 attainment goal?
- Is it feasible to implement the strategy given budget and other resource constraints?
- How should the various strategies be prioritized in terms of their return-on-investment and impact?


The information was pulled together by CPE staff and is intended to serve as background information to help stimulate conversation and ideas.

The 5 priorities identified by the board were:

1. Free tuition program for one or two years of college
2. Developing incentives for out-of-state students
3. Retaining students and understanding why students are dropping out
4. Developing tools and programs to facilitate the pathways between K-12 and postsecondary education.
5. Developing strategies to improve access and success of adult students

The following is research related to No. 2:

Developing incentives for out-of-state students



Nonresident Student Tuition Policy: A Preliminary Review

Kentucky Council on Postsecondary Education
April 25, 2019

Kentucky Council on
Postsecondary Education

Background Information

- During the early 2000s, Council policy required only that published tuition and fee charges be higher for nonresidents than for Kentucky residents
- Before the 2004-05 academic year, the Council adopted a nonresident rate floor of 2X the in-state rate
- A shortcoming of this approach was that it did not consider scholarship discounts to nonresident students
- In April 2016, the Council approved a new policy that requires net tuition and fee revenue per nonresident student to cover 100% of direct instructional costs



Background Information (Cont'd)

The impetus for the new nonresident policy was to:

- Eliminate the need for exceptions to previous policy
- Level the playing field between institutions providing scholarship versus price discounts to nonresidents
- Reduce state subsidies going to out-of-state students
- Generate added revenue from nonresident students to help maintain lower tuition for resident students
- Continue prior policy direction requiring out-of-state students to pay a larger share of educational costs



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Current Nonresident Policy

- 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 fees levels adopted for nonresident students shall be higher than prices for resident students enrolled in comparable programs
- Every institution shall manage its tuition and fees, price discounting, and scholarship aid for out-of-state students, such that average net tuition and fee revenue generated per nonresident student equals or exceeds 100% of direct instructional and student services costs per student



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Rationale for Review

Over the past decade, the fiscal climate and enrollment patterns of Kentucky higher education have changed

Trend data and projections in four areas speak to the need for a review of the Council's current nonresident student tuition policy:

- Loss in state support for campus operations
- Declining numbers of high school graduates
- Softening student demand for higher education
- Persistent college enrollment declines



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Rationale for Review

Loss in State Support

- State support for postsecondary institution operations peaked in 2007-08 (enacted budget, before mid-year cut)
- Between 2008 and 2019, system total appropriations decreased by -\$223 million or -21% (nominal dollars)
- After adjusting for inflation, postsecondary institutions lost -\$3,292 or -36% of their per student funding
- Unless resolved in special session, a 70% increase in KERS contributions will ensue (same as -9% budget cut)
- Given underfunded pension and expanding Medicaid, prospects for postsecondary reinvestment not good



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Rationale for Review

Loss in State Support (Cont'd)

Kentucky Public Postsecondary Institution
Change in General Fund Appropriations for Campus Operations
Between Fiscal Years 2007-08 and 2018-19

(Nominal Dollars in Millions)

Institution	FY 2007-08 General Fund ¹	FY 2018-19 General Fund ⁴	Dollar Change	Percent Change
University of Kentucky	\$335.1 ²	\$258.5	(\$76.6)	-22.9%
University of Louisville	168.6	127.1	(41.5)	-24.6%
Eastern Kentucky University	79.8	64.2	(15.6)	-19.5%
Kentucky State University	27.4	25.5	(2.0)	-7.2%
Morehead State University	48.2	38.9	(9.3)	-19.4%
Murray State University	56.1	45.6	(10.5)	-18.7%
Northern Kentucky University	55.1	53.3	(1.8)	-3.2%
Western Kentucky University	85.1	73.8	(11.3)	-13.3%
KCTCS	228.7 ³	174.6	(54.1)	-23.7%
System Total	\$1,084.0	\$861.4	(\$222.7)	-20.5%

¹ As enacted, before implementation of a mid-year budget reduction order.

² Includes \$2,000,000 special session appropriation for UK's Center for Applied Energy Research.

³ Includes \$2,373,800 reorg. transfer to KCTCS for Kentucky Board of Emergency Medical Services.

⁴ Sum of regular appropriation and earned share of \$31.0 million performance distribution.

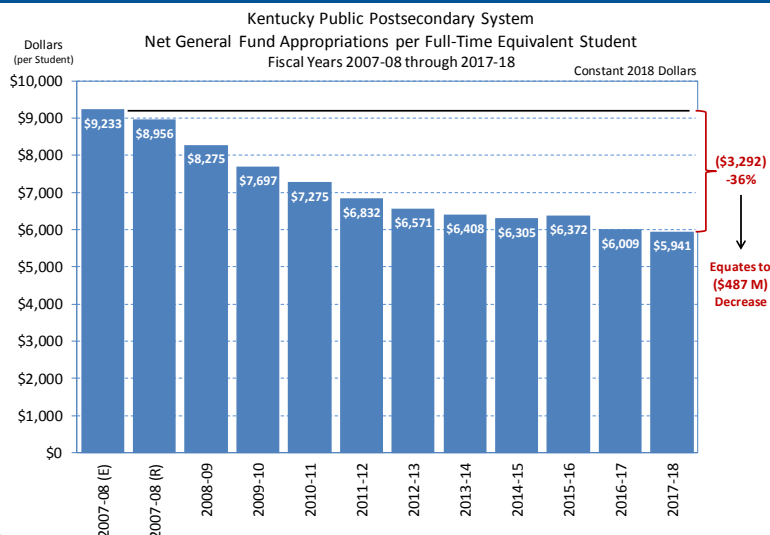


Source: Kentucky Budget of the Commonwealth, multiple biennia.

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Rationale for Review

Loss in State Support (Cont'd)



Sources: Kentucky Budgets of the Commonwealth; Commonfund Institute, Higher Education Price Index.

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

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Rationale for Review

Declining High School Graduates

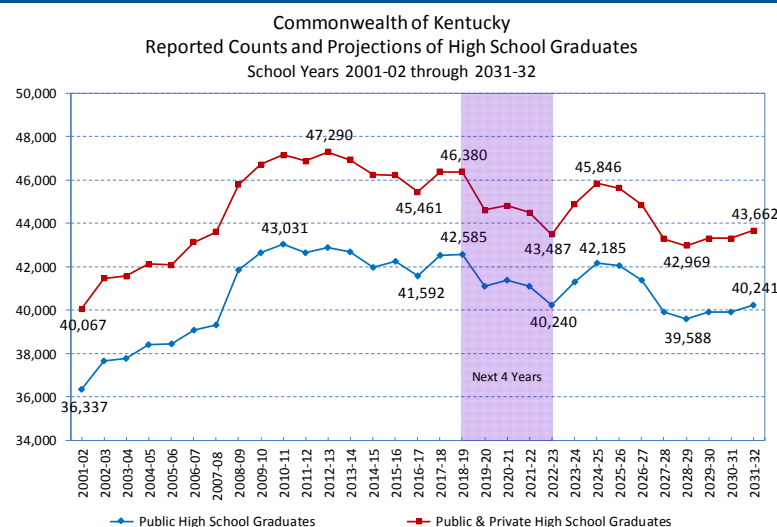
- Nationwide high school graduates projected to plateau through 2023, peak in 2026, then drop -8% by 2032
- Growth in graduates is expected in the South and West regions, with decreases in the Midwest and Northeast
- Unfortunately Kentucky's high school graduate profile looks more like the Midwest than the South
- Between 2013 and 2023, the number of high school graduates in Kentucky is projected to decrease by -8%
- A six percent drop is expected over the next four years



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Rationale for Review

Declining High School Graduates (Cont'd)



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Rationale for Review

Softening Student Demand

- The college-age population is projected to decrease by 15% between 2025 and 2029, due to a dramatic decline in birthrates 18 years earlier (Grawe, 2018)
- The impact of this decrease on student demand is expected to vary by region and institution type
- The Northeast is expected to be hardest hit, whereas some Mountain States may see increases in demand
- Regional universities in only a handful of states are predicted to see increases in enrollment between 2012 and 2029



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Rationale for Review

Softening Student Demand (Cont'd)

- In Kentucky, the number of students attending regional universities is expected to decrease by -7.5% to -15.0% during this period (Barshay, 2018)
- The impact of declining college-age population is not expected to be as severe for top 100 elite institutions (based on U.S. News and World Report rankings)
- Student demand is expected to grow for the nation's most elite institutions between 2012 and 2029

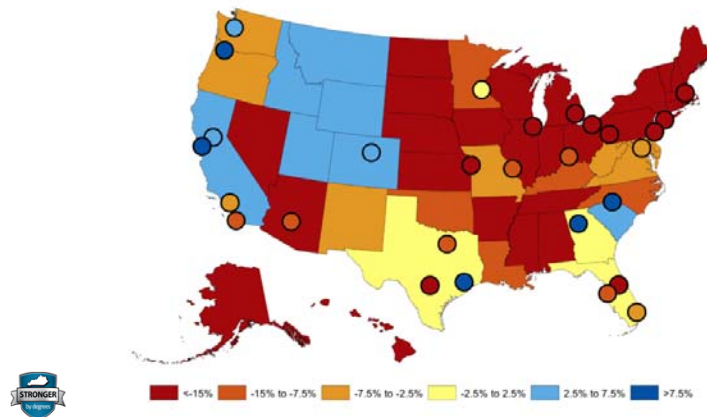


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Rationale for Review

Softening Student Demand (Cont'd)

Only a handful of states, colored in blue, are predicted to see an increase in the number of students attending regional four-year colleges and universities between 2012 and 2029. The rest will see declines in students. The dots represent large metropolitan areas, which may diverge from state or regional trends (Grawe, 2018).



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Rationale for Review

Declining College Enrollment

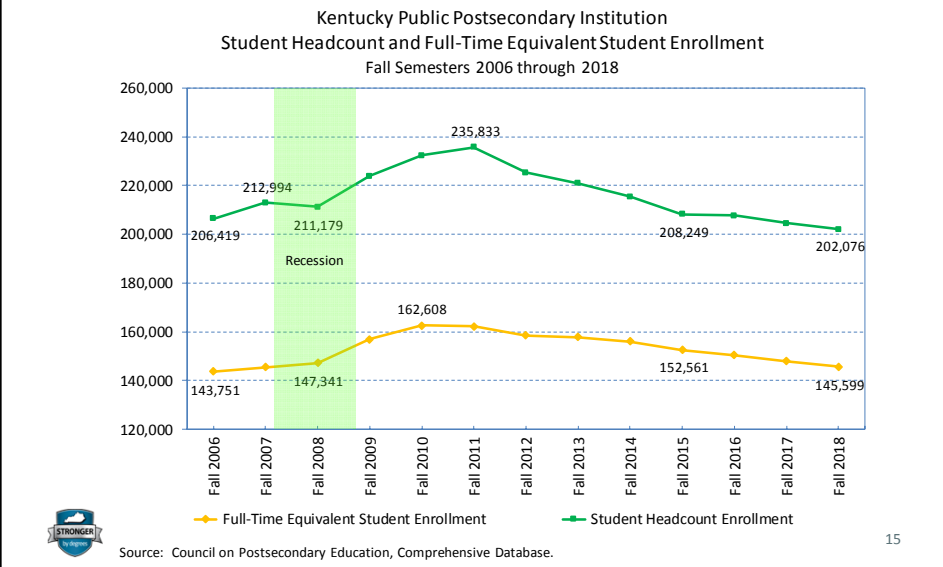
- After peaking at 235,833 in 2011, student headcount at Kentucky public postsecondary institutions declined for seven straight years, a loss of -33,757 or -14.3%
- Between fall semesters 2010 and 2018, FTE student enrollment decreased by -17,009 students or -10.5%
- While college enrollment tends to increase with onset of recession and fall when the economy improves, Kentucky's decline has been persistent
- Likely the result of declining numbers of high school graduates (projected decrease of -8%, 2013 to 2023)



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Rationale for Review

Declining College Enrollment (Cont'd)



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Statement of the Problem

- Kentucky's public postsecondary system expanded facilities and program offerings to accommodate enrollment growth during the 1st decade of reform (1998 -2008)
- Reductions in state support and mandated increases in retirement contributions since the Great Recession have increased campus reliance on tuition and fee revenue
- Declining enrollment stemming from a stronger economy and falling numbers of high school graduates are creating budgetary pressures and excess capacity
- Three universities have indicated a desire to lower prices to out-of-state students to maintain enrollment and revenue



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Statement of the Problem (Cont'd)

- Should the Council consider a change in nonresident student tuition policy that would allow the institutions greater flexibility in out-of-state student pricing?



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Kentucky Pricing Strategies

What is the current status of university pricing strategies?

- Most universities charge out-of-state students 2X the in-state rate or higher (i.e., regular published rate)
- Institutionally funded scholarships to nonresident students provide discounts off the regular rate and vary across institutions
- Some institutions provide lower, special rates for out-of-state students based on geographic criteria
 - NKU EDGE (Educational Discount to Graduate and Excel)
 - WKU TIP (Tuition Incentive Program)



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Kentucky Pricing Strategies

Out-of-State Price Premiums

Kentucky Public Four-Year Institutions
Annual Tuition and Fees by Residency Status and Out-of-State Price Premiums
Academic Year 2018-19

Institution	Resident Tuition and Fee Charges	Nonresident Tuition and Fee Charges	Out-of-State Price Premium	Out-of-State Price Multiple
UK (Lower Division)	\$12,070	\$28,902	\$16,832	2.4
UK (Upper Division)	12,420	29,296	16,876	2.4
UofL	11,656	27,278	15,622	2.3
EKU	9,596	19,374	9,778	2.0
KSU	8,800	20,100	11,300	2.3
MoSU	9,070	13,546	4,476	1.5
MuSU (Admitted Prior to Summer 2016)	8,592	23,376	14,784	2.7
MuSU (Admitted Summer 2016 or After)	9,084	24,540	15,456	2.7
NKU	10,032	19,680	9,648	2.0
WKU	\$10,602	\$26,496	\$15,894	2.5

Note: 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.



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Kentucky Pricing Strategies

NKU EDGE Program

- Beginning in fall 2019, NKU is unveiling a new EDGE program (Educational Discount to Graduate and Excel)
- EDGE offers a tuition discount to students from 12 states and 12 countries outside of Kentucky
- New first-time, full-time freshman will pay \$10,000 annual tuition, over \$9,000 off out-of-state tuition
- Nonresident students must have a high school GPA of 2.5 or greater to qualify
- Consecutive full-time enrollment and good academic standing must be maintained to continue discount



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Kentucky Pricing Strategies

NKU EDGE Program (Cont'd)



Tuition discounts provided to students from 12 states

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Kentucky Pricing Strategies

WKU TIP Program

- WKU offers a Tuition Incentive Program to students who are residents of specific counties in 18 states
- Students residing in TIP counties can attend WKU for nearly half of the regular out-of-state rate
- Students who graduate from a high school located in a TIP county are also eligible for the TIP rate
- In 2019-20, WKU's proposed annual full-time resident rate is \$10,802 and its nonresident TIP rate is \$13,896
- Nonresidents with strong academic profile also eligible to receive additional TIP Scholarship (\$2,500 per year)



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Pricing Strategies in Other States

What pricing strategies are being used in other states?

- Out-of-state price premiums at Kentucky four-year institutions rank 5th lowest among 16 SREB states
- Kentucky's out-of-state price multiple ranks lowest among SREB states
- In-state tuition and fees tend to be lower in states that have the highest out-of-state price multiples
- Institution specific examples:
 - University of Arkansas, NRTA Program
 - University of Maine, Flagship Match Program

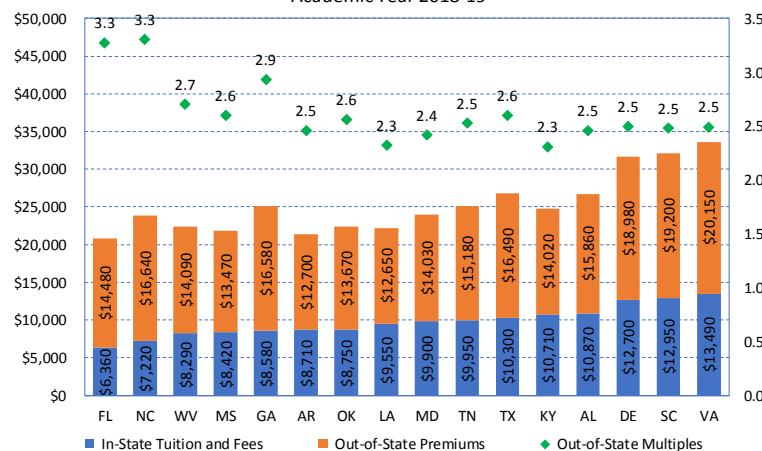


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Pricing Strategies in Other States

Out-of-State Price Premiums

Public Four-Year Universities in SREB Member States
In-State Tuition and Fees, Out-of-State Premiums, and Out-of-State Multiples
Academic Year 2018-19



Source: College Board, Trends in College Pricing 2017.

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Pricing Strategies in Other States

University of Arkansas, NRTA Program

- Implemented fall 2013, the Non-Resident Tuition Award (NRTA) covers most of the difference between out-of-state and in-state tuition and is automatically granted to eligible degree-seeking students
- The NRTA is awarded to entering freshmen and transfer students from Illinois, Kansas, Louisiana, Mississippi, Missouri, Oklahoma, Tennessee, and Texas
- Awards vary in amount from between 70% and 90% of the tuition differential depending on GPA and ACT/SAT scores
- The scholarship is renewable provided the student completes 24 hours per year and maintains a 2.75 GPA



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Pricing Strategies in Other States

University of Arkansas, NRTA (Cont'd)

To qualify to receive the maximum NRTA award a nonresident student must:

- Apply for admission (submission of financial aid application is encouraged, but not required)
- Be degree-seeking
- Have minimum 3.20 high school GPA and 24 ACT/ 1160 SAT (entering freshmen)
- Have minimum 3.00 college GPA and 24 hours of college credit (transfer students)

NRTA scholarships are available to incoming new students and transfer students only



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Pricing Strategies in Other States

University of Maine, Flagship Match

- In November 2015, the University of Maine unveiled a new Flagship Match program, offering out-of-state students in six nearby states admission at the published in-state price of flagship institutions in their home states
- The program specifically targets students from Connecticut, Massachusetts, New Hampshire, New Jersey, Pennsylvania, and Vermont
- To qualify for the maximum award, students must have a GPA of at least 3.0 and SAT score of at least 1050
- Prorated awards were offered to students not meeting the criteria for the maximum award



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State Board Approaches

How do state governing and coordinating boards address nonresident tuition and fees?

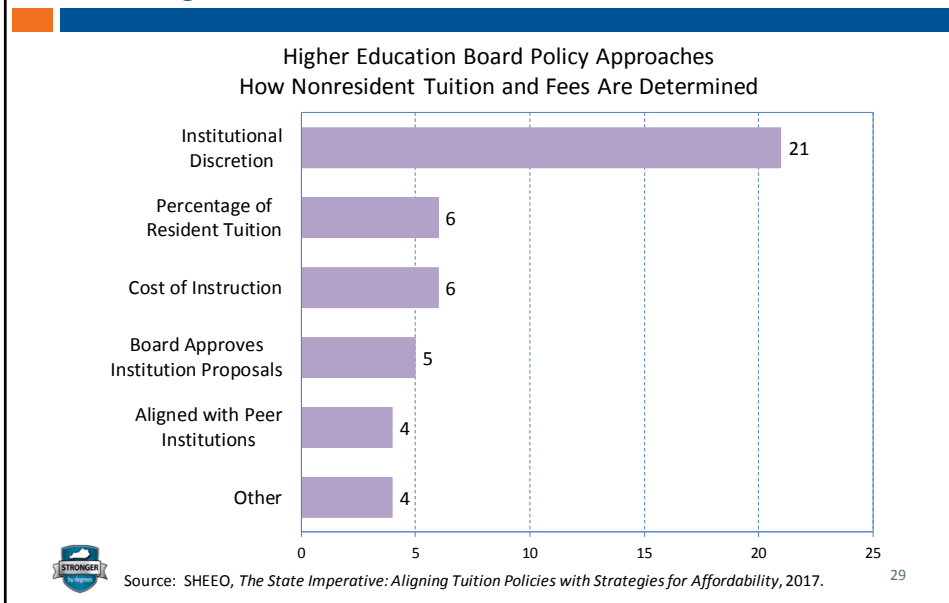
- Based on a recent survey, state boards in 21 states leave out-of-state pricing decisions to the institution
- In 12 states, boards either index out-of-state rates to a percent of in-state rates or to cost of instruction
- In five states, boards review and approve campus generated proposals for nonresident rates
- Nonresident tuition and fees are aligned with peer institutions in four states (SHEEO, 2017)



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State Board Approaches

Survey of Nonresident Tuition Policies



Policy Relevant Data

This section attempts to answer the following questions:

- *Over the past decade, have out-of-state prices grown faster than in-state prices? Does it vary by institution?*
- *Has out-of-state student enrollment increased or decreased during this period? Does it vary by sector?*
- *Do out-of-state students progress and complete degrees at similar rates to in-state students?*
- *How many out-of-state students who graduate from a Kentucky institution choose to remain in state? Does it vary by institution?*



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Policy Relevant Data

Price Growth by Residency Status

Kentucky Public Four-Year Institution

Percent Change in Annual Tuition and Fees by Residency Status

Between Academic Years 2007-08 and 2017-18

Institution	In-State Tuition and Fees			Out-of-State Tuition and Fees		
	2007-08	2017-18	% Change	2007-08	2017-18	% Change
UK	\$7,199	\$11,772	64%	\$14,995	\$27,856	86%
UofL	6,870	11,264	64%	17,664	26,286	49%
EKU	5,682	9,296	64%	15,382	19,074	24%
KSU	5,320	8,184	54%	12,490	19,638	57%
MoSU	5,280	8,950	70%	13,340	13,426	1%
MuSU	5,418	8,820	63%	14,718	23,820	62%
NKU	5,952	9,744	64%	10,776	19,104	77%
WKU	\$6,419	\$10,202	59%	\$15,470	\$25,512	65%

Note: 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

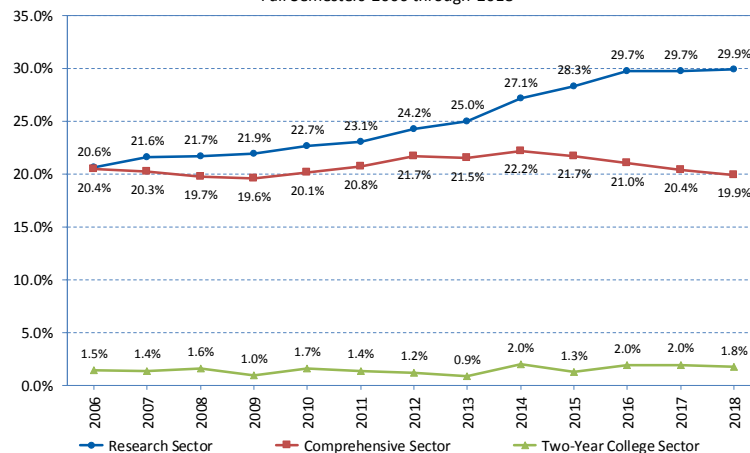
Source: Southern Regional Education Board, State Data Exchange.

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Policy Relevant Data

Out-of-State Enrollment Share

Kentucky Public Postsecondary Sectors
Out-of-State Student Share of Total FTE Student Enrollment
Fall Semesters 2006 through 2018



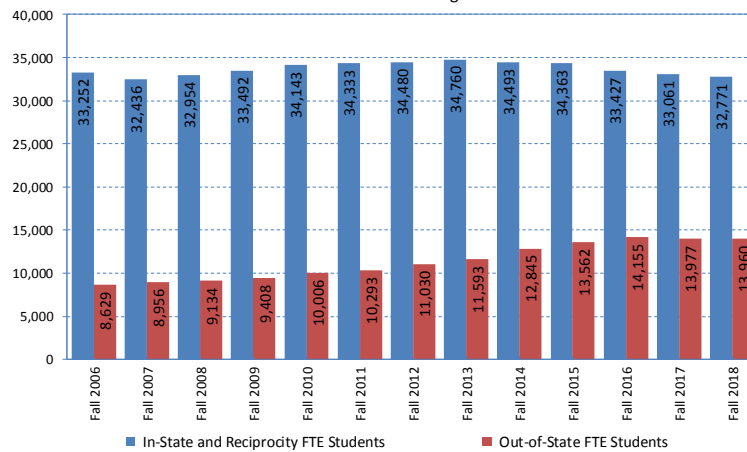
Source: Council on Postsecondary Education, Comprehensive Database.

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Policy Relevant Data

Research University Enrollment

Kentucky Public Research Universities
Full-Time Equivalent Student Enrollment by Residency Status
Fall Semesters 2006 through 2018



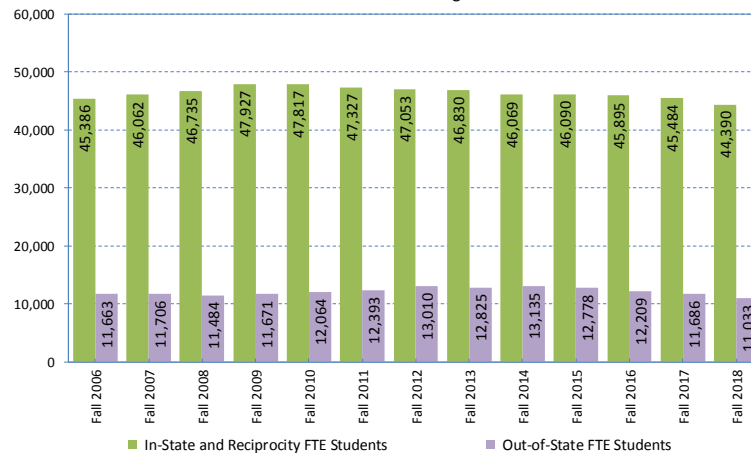
Source: Council on Postsecondary Education, Comprehensive Database.

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Policy Relevant Data

Comprehensive University Enrollment

Kentucky Public Comprehensive Universities
Full-Time Equivalent Student Enrollment by Residency Status
Fall Semesters 2006 through 2018

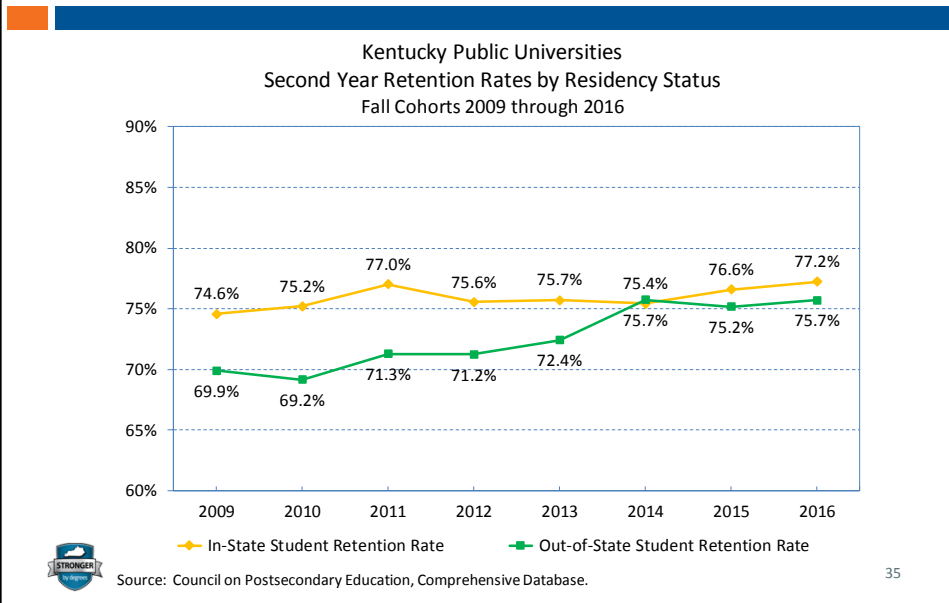


Source: Council on Postsecondary Education, Comprehensive Database.

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Policy Relevant Data

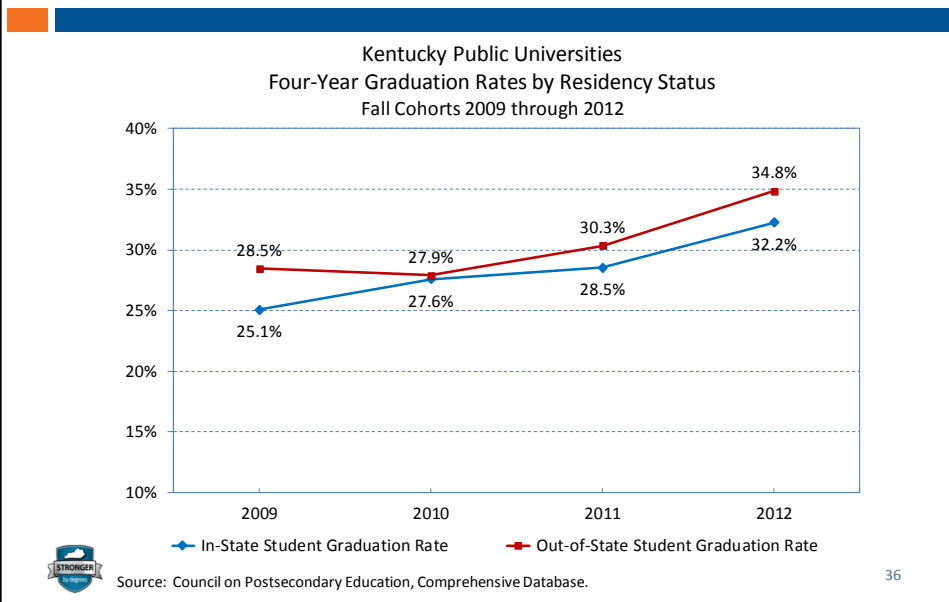
Two-Year Retention Rates



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Policy Relevant Data

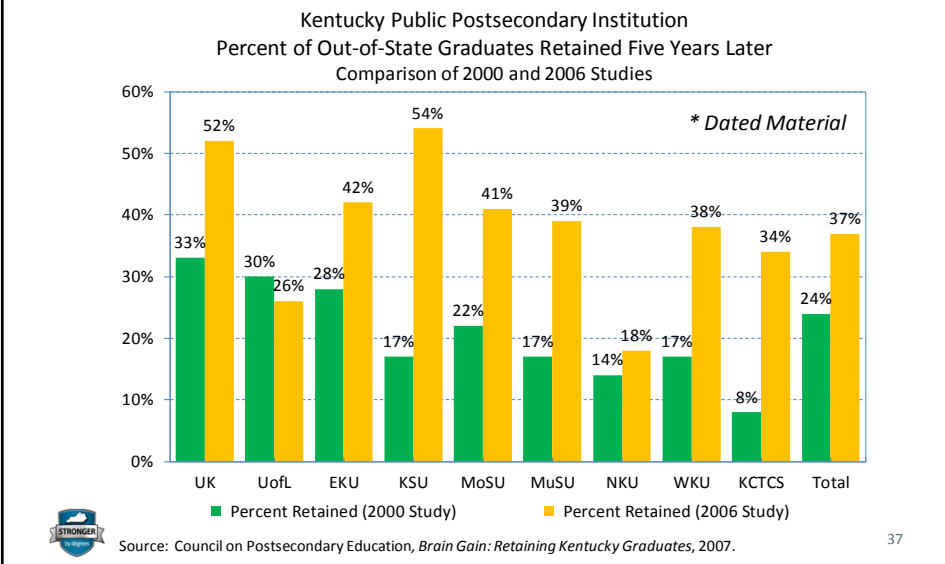
Four-Year Graduation Rates



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Policy Relevant Data

Out-of-State Graduates Retained



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Potential Policy Options

- Consider a bifurcated approach: one for regular rates and another for special or targeted rates
- For regular rates, consider the following options:
 - Continue to index nonresident rates to cost of instruction (current approach)
 - Multiple of in-state rates (e.g., 2x), but stipulate that discount % for out-of-state students cannot exceed discount % for in-state students (new approach)
- For special or targeted rates, consider approach that requires campus proposals submitted for Council review and approval (e.g., MOU process)



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Next Steps

- Discuss possibility of change in nonresident student tuition policy with campus CBOs and presidents
- Convene the Finance Committee of the Council and engage that group in discussions
- Conduct additional research and gather additional data as advised by postsecondary community stakeholders
- Commission updated graduate retention study by institution to determine how many remain in state
- Try to achieve consensus and bring proposal to Council in time for academic year 2020-21 tuition process



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