



Tuition and Fee Recommendation

Key Issues

State Funding

Frequent reductions in state support over the past decade have been a major cause of rising college prices in the U.S.

The enacted budget shows an increase of \$60.5 million from this year to next, but most of the increase is **not relevant** for tuition setting:

- Fund Swap Restoration – restores \$20.0 million in General Fund that was part of a federal fund swap reduction in 2020-21 (**not new \$**)
- Performance Distribution – adds \$14.9 million to base budgets in 2021-22 of institutions that earned funds in 2020-21 (**net effect \$0**)
- Pension Funding – provides \$22.1 million in new funding, which is offset by an expected increase in pension costs (**new \$, for pensions**)
- Performance Fund – appropriates \$17.3 million for performance, pending distribution using funding models (these are new \$)

Key Issues

Fixed and Unavoidable Costs

Projected Net Tuition Revenue Increase @
Maximum One-Year Parameters = \$26.8 M

Kentucky Public Postsecondary Institution
Estimated Increase in Fixed and Unavoidable Costs
Fiscal Year 2021-22

Draft - For Discussion Purposes
March 20, 2021

| A | | Fixed and Unavoidable Cost Components ² | | | | | B | (B ÷ A) |
|--------|---|--|------------------------|-----------------------------|--------------------------------|--------------|-------------------------|----------------------|
| Campus | Fiscal 2020-21 E&G Expenses ¹ | Salaries and Personnel | FICA and Retirement | Maintenance & Operations | Financial Aid/ Scholarships | Other Costs | Total Cost Increases | % of E&G Expenses |
| UK | \$1,477,026,128 | \$5,145,839 | \$51,740,030 | \$1,607,740 | \$1,840,378 | \$0 | \$60,333,987 | 4.1% |
| UofL | 516,599,903 | 3,469,752 | 188,284 | 2,193,053 | 1,644,284 | 0 | 7,495,373 | 1.5% |
| EKU | 222,261,300 | (5,306,800) | 1,544,800 | 400,000 | 7,450,000 | 0 | 4,088,000 | 1.8% |
| KSU | 40,623,086 | 1,780,895 | 224,103 | 1,899,347 | 265,000 | 0 | 4,169,345 | 10.3% |
| MoSU | 101,485,737 | 598,991 | 0 | 244,572 | 93,278 | 321,654 | 1,258,495 | 1.2% |
| MuSU | 157,691,002 | 1,854,057 | 519,882 | 1,035,984 | 435,750 | 150,000 | 3,995,673 | 2.5% |
| NKU | 206,622,305 | 3,254,741 | (14,686,251) | 0 | 3,000,000 | 20,768,000 | 12,336,490 | 6.0% |
| WKU | 266,928,996 | 300,000 | 0 | 1,576,870 | 2,104,453 | 0 | 3,981,323 | 1.5% |
| KCTCS | 644,227,400 | 5,787,100 | 1,226,100 | 3,613,900 | 8,422,300 | 0 | 19,049,400 | 3.0% |
| Total | \$3,633,465,857 | \$16,884,575 | \$40,756,948 | \$12,571,466 | \$25,255,443 | \$21,239,654 | \$116,708,086 | 3.2% |

¹ Budgeted Education and General (E&G) expenses for fiscal year 2020-21.

² Estimated increases in fixed and unavoidable cost components between fiscal years 2020-21 and 2021-22.

Source: Kentucky Public Postsecondary Institution, Chief Budget Officers.

5-Year Average Annual Growth in HEPI = 2.4%

Key Issues

Pension Costs (State Funds)

- Comprehensive universities (except for NKU) and KCTCS are moving to a fixed allocation method for determining KERS retirement plan contributions
- The enacted budget includes appropriations for five universities and KCTCS totaling \$22.1 million
- The funds are intended to cover 100% of projected pension cost increases in 2021-22
- The monetary impact of rising pension costs on participating institutions should be negligible
- Since appropriated funds are designated mandated programs, they are excluded from funding models

| <u>Campus</u> | <u>Enacted Budget Pension Funds</u> |
|---------------|---|
| UK | \$0 |
| UofL | 0 |
| EKU | 8,909,700 |
| KSU | 558,200 |
| MoSU | 4,913,000 |
| MuSU | 3,270,900 |
| NKU | 0 |
| WKU | 3,592,500 |
| KCTCS | 854,900 |
| Total | <u>\$22,099,200</u> |

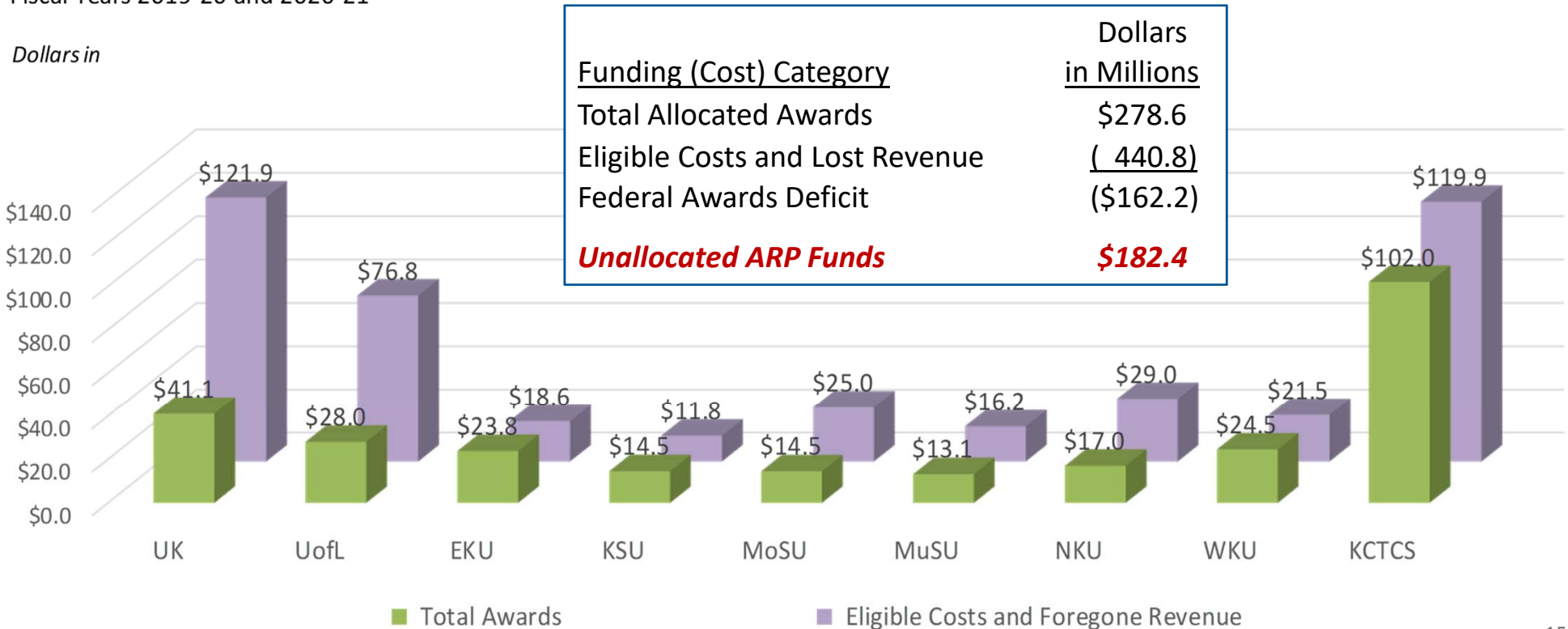
Key Issues

COVID-19 Related Costs (Federal Relief Funds)

Kentucky Public Postsecondary Institution

→ as of May 5, 2021

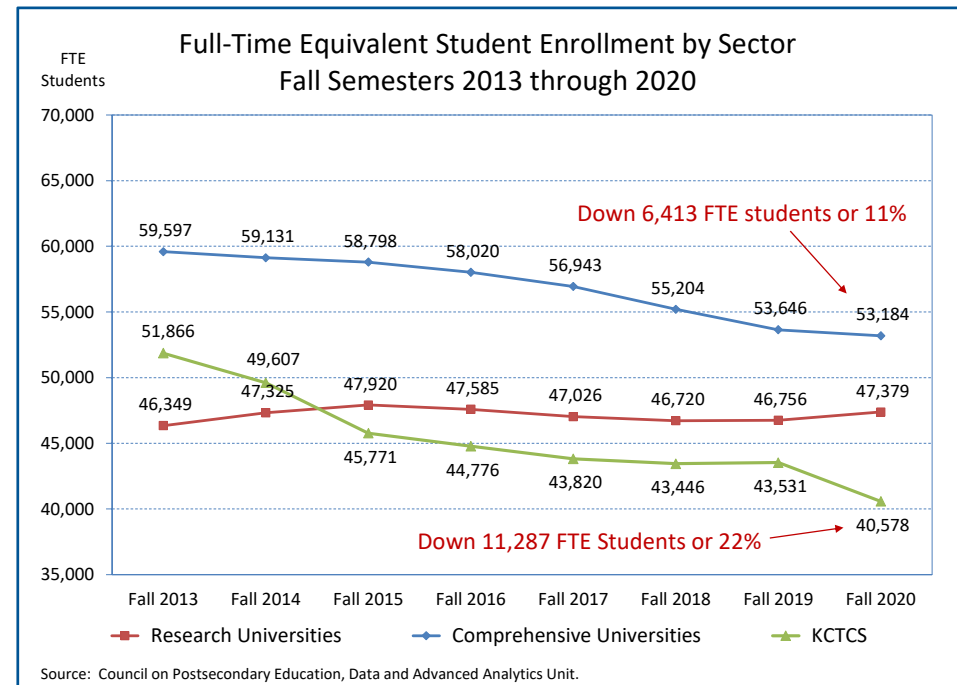
Comparison of Federal Coronavirus Relief Funds and COVID-19 Related Costs and Foregone Revenue
Fiscal Years 2019-20 and 2020-21



Key Issues

Enrollment Trends (Council Resolution)

- Kentucky comprehensive and KCTCS sectors have experienced steady enrollment declines
- Caused by declining numbers of high school graduates and falling college going rates, and exacerbated by the COVID-19 pandemic
- On March 3, the Council adopted a resolution:
 - expressing concern about the effect of further enrollment decline on the ability to meet 2030 Strategic Agenda goals
 - calling on CPE and campus leaders to implement bold actions and strategies to mitigate near term enrollment effects of COVID-19
- Maintaining affordability for Kentucky students and families represents one possible strategy for encouraging enrollment in the near term



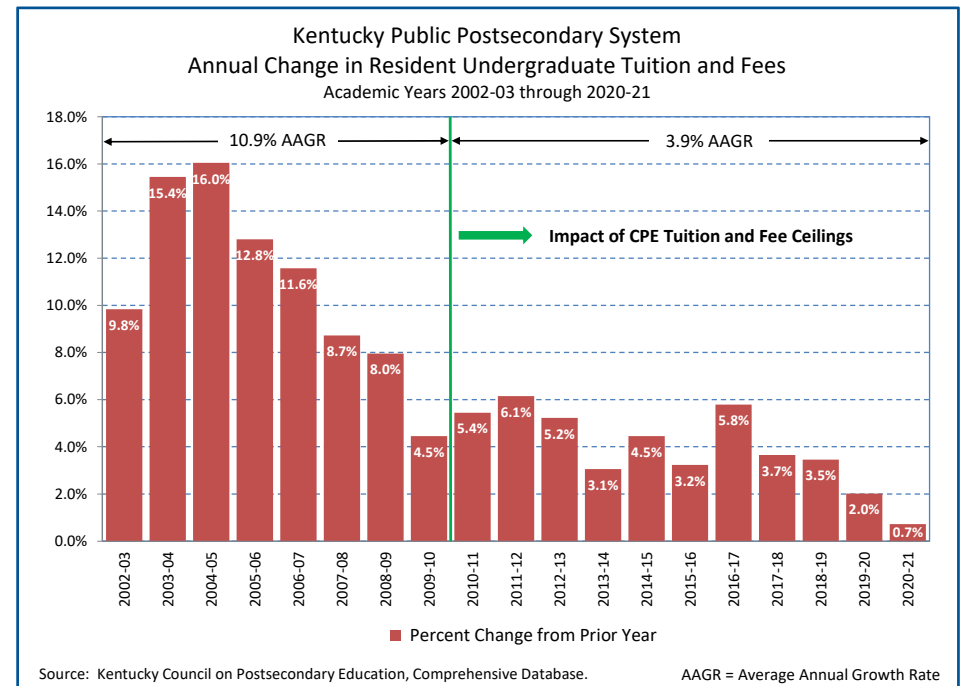
- Since 2013, FTE student enrollment has declined by an average annual rate of -1.6% at comprehensives and -3.4% at KCTCS
- The only institution to record an increase in FTE enrollment during this period was the University of Kentucky +4.0%

Key Issues

Prior-Year Tuition Increase

Prior-year increases are often considered when setting tuition for the coming year

- This year, Kentucky's system average increase in resident undergraduate tuition and fees was the lowest in over 20 years (i.e., +0.7%)
- Over the previous 10 years, average annual increase has been about 4.0% per year
- If parameters are approved by the Council, average annual increases over the next two years at universities will be 1.5%, or less
- Average annual increases in resident rates at KCTCS will be 1.4%, or less
- The parameters will result in average annual increases that are at least 2.5 percentage points below the recent historical average



- In 2020-21, five universities did not increase tuition and fees and three others had increases between 1.0% and 2.0%
- As a result, the system average increase was 0.7%, which represents the lowest increase in more than two decades

Tuition and Fee Recommendation

Proposed Two-Year Parameters

Staff recommends that the Finance Committee approve resident undergraduate tuition and fee ceilings for 2021-22 and 2022-23 that equate to:

- Maximum base rate increases of no more than 3.0 percent over two years, and no more than 2.0 percent in any one year, for public universities
- Maximum base rate increases of no more than \$5.⁰⁰ per credit hour over two years, and no more than \$3.⁰⁰ per credit hour in any one year, for KCTCS

It is further recommended that institutions be allowed to submit:

- Nonresident undergraduate tuition and fees that comply with the Council's *2021-22 Tuition and Mandatory Fees Policy*, or an existing MOU between the Council and an institution
- Market competitive tuition and fee rates for graduate and online courses

Tuition and Fee Recommendation

Additional Relevant Information

- Proposed parameters strike an appropriate balance between resource needs of the institutions and affordability for Kentucky students and families
- Small increases are necessary to help institutions maintain quality academic programs, address inflationary cost increases, and meet state goals (60x30)
- Two-year ceilings facilitate strategic planning and budgeting at the institutions and make college costs more predictable for students and families
- If authorized, proposed parameters will result in average increases over the next two years well below recent historical average (less than 1.5% per year)
- A top priority for CPE staff and campus leaders was keeping increases to a minimum to help students struggling financially due to COVID-19
- Staff believes proposed parameters are responsive to the Council resolution, calling for bold actions and strategies to mitigate declining enrollment