



Tuition and Fee Recommendation for Academic Years 2023-24 and 2024-25

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Overview

Tuition and Fee Recommendation

- Background Information
- Proposed Parameters
- Rationale

Tuition Recommendation

Background Information

- Council staff used a collaborative process to develop its tuition and mandatory fee recommendation for academic years 2023-24 and 2024-25
- This included sharing information and engaging in discussions with campus presidents, chief budget officers, and Council members
- Council staff and campus officials considered a number of key issues this tuition cycle:
 - State Funding (Pension)
 - Recent Tuition Increases
 - Impact of Inflation
 - Trend in College Spending
 - College Going Rates
 - Enrollment Trends
- Based on feedback from multiple stakeholders, there is general sentiment that increases in tuition this cycle should be moderate

Tuition Recommendation

Background Information (Cont'd)

- Proposed parameters will help support a necessary balance between:
 - the ability of students and families to pay for college, and
 - resources required for institutions to address cost increases, maintain quality academic programs, and continue progress toward 60x30 goal
- CPE staff and campus officials agreed that tuition ceilings should be set for the next two years (i.e., academic years 2023-24 and 2024-25)
- Three times over past nine years the Council approved two-year ceilings
- Adopting two-year ceilings will:
 - facilitate strategic planning and budgeting at the institutions, and
 - make college costs more predictable for students and families

Tuition Recommendation

Proposed Parameters

Recommended that the Council approve resident undergraduate tuition and fee ceilings for 2023-24 and 2024-25 that equate to:

- Maximum base rate increases of no more than **5.0 percent** over two years, and no more than **3.0 percent** in any one year, for the public universities
- Maximum base rate increases of no more than **\$7.⁰⁰ per credit hour** over two years, and no more than **\$4.⁰⁰ per credit hour** in any one year, for KCTCS

It is further recommended that institutions be allowed to submit for approval:

- Nonresident undergraduate tuition and fees that comply with the Council's *2023-24 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 Recommendation

Proposed Parameters (Cont'd)

Kentucky Public Postsecondary Institution Maximum One-Year Base Rate Increases for Resident Undergraduates Academic Year 2023-24

Institution	Current Year 2022-23 Base Rates	Maximum 2023-24 Base Rates	One-Year Dollar Change	One-Year Percent Change
UK	\$12,859	\$13,245	\$386	3.00%
UofL	12,324	12,694	370	3.00%
EKU	\$9,544	\$9,830	\$286	3.00%
KSU	8,654	8,914	260	3.00%
MoSU	9,308	9,587	279	3.00%
MuSU	9,432	9,715	283	3.00%
NKU	10,208	10,514	306	3.00%
WKU	10,912	11,239	327	3.00%
KCTCS (pch)	\$182.00 (pch)	\$186.00 (pch)	\$4.00 (pch)	2.20%
KCTCS (pch x 30)	\$5,460	\$5,580	\$120	2.20%

Note: Base rates do not include Special Use Fees or Asset Preservation Fees previously approved by the Council, or a BuildSmart agency bond fee at KCTCS.

Kentucky Public Postsecondary Institution Maximum Two-Year Base Rate Increases for Resident Undergraduates Academic Year 2024-25

Institution	Current Year 2022-23 Base Rates	Maximum 2024-25 Base Rates	Two-Year Dollar Change	Two-Year Percent Change
UK	\$12,859	\$13,502	\$643	5.00%
UofL	12,324	12,940	616	5.00%
EKU	\$9,544	\$10,021	\$477	5.00%
KSU	8,654	9,087	433	5.00%
MoSU	9,308	9,773	465	5.00%
MuSU	9,432	9,904	472	5.00%
NKU	10,208	10,718	510	5.00%
WKU	10,912	11,458	546	5.00%
KCTCS (pch)	\$182.00 (pch)	\$189.00 (pch)	\$7.00 (pch)	3.85%
KCTCS (pch x 30)	\$5,460	\$5,670	\$210	3.85%

Note: Base rates do not include Special Use Fees or Asset Preservation Fees previously approved by the Council, or a BuildSmart agency bond fee at KCTCS.

Tuition Recommendation

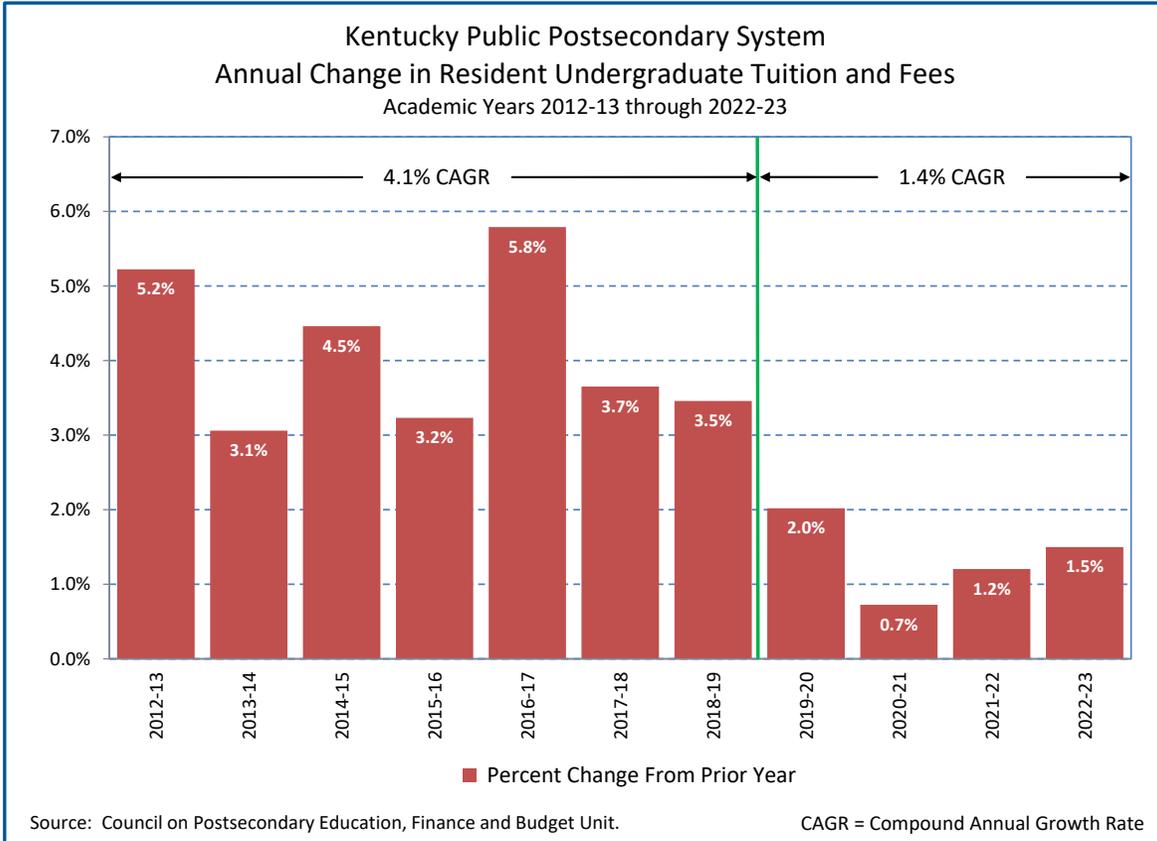
Rationale

- Over the past four years, maintaining affordability has been the predominant priority for the Council and campus officials
- To address declining college-going rates and decreases in enrollment, tuition and fee increases were kept at historic lows (i.e., 1.4% per year)
- Lack of sustained state support for campus operations combined with modest tuition increases resulted in real declines in college spending
- If left unchecked, this could lead to increased reliance on adjunct faculty, fewer sections of courses being taught, larger class sizes, and diminished academic quality
- For this reason, staff is recommending tuition ceilings in the moderate range for academic years 2023-24 and 2024-25

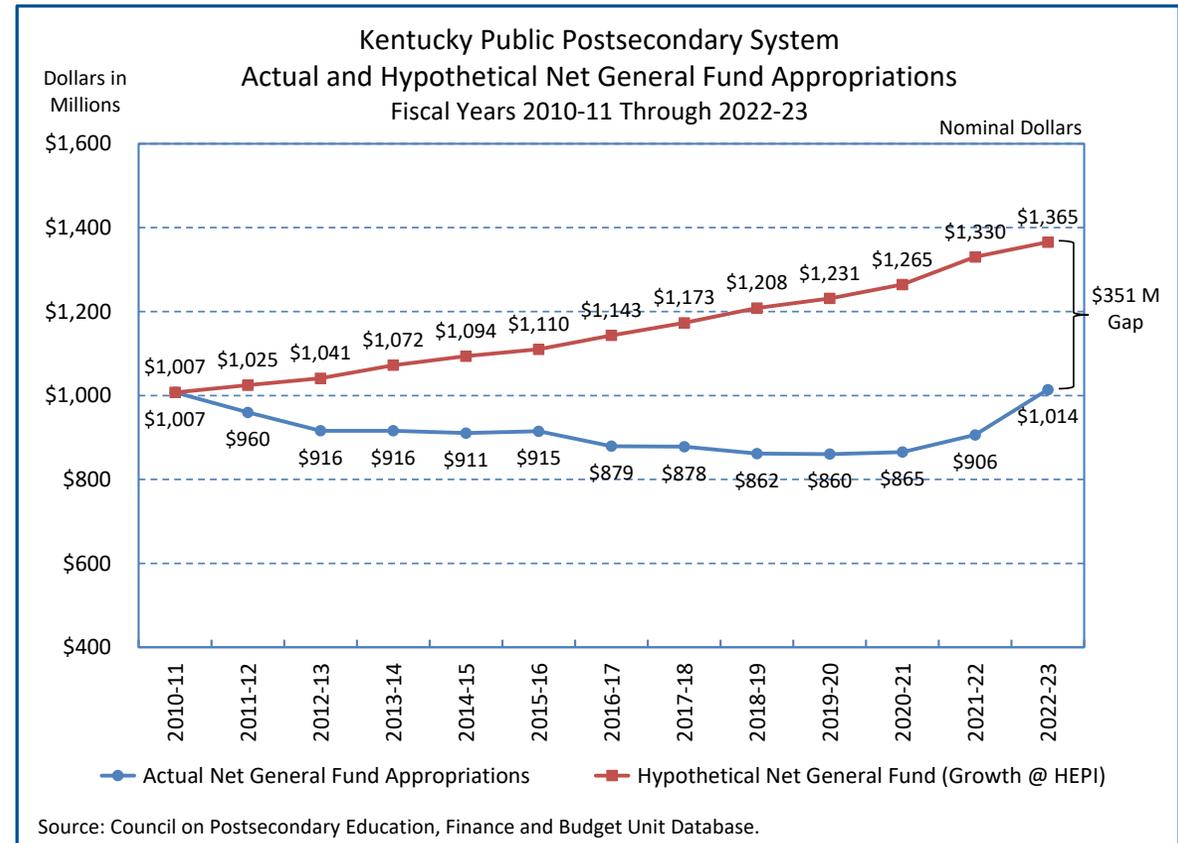
Tuition Recommendation

Rationale (Cont'd)

State appropriations and tuition and fees are the main sources of revenue for educating students



- After the Great Recession, around 2010-11, most states began reinvesting in higher education
- Rising Medicaid and prison costs and an underfunded pension system acted as constraints on Kentucky's state budget



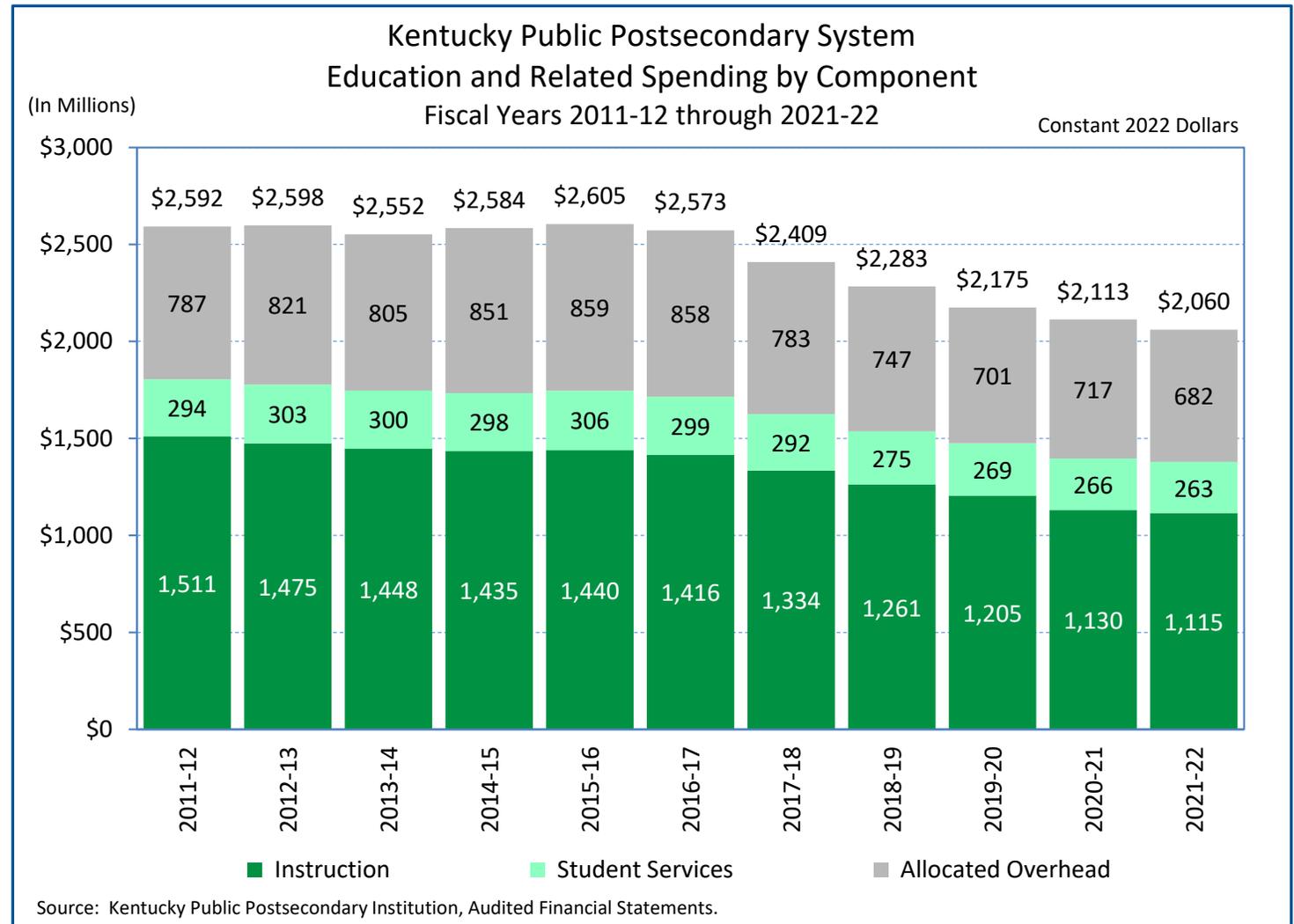
- Recent increases in resident undergraduate tuition and fees have been among the lowest in 20 years
- Over the past four years, tuition and fees increased by 1.4% per year, or about one-third the rate of the prior period

Tuition Recommendation

Rationale (Cont'd)

Declining state support and tuition ceilings have required the institutions to become more efficient

- In recent years, real spending to educate students at Kentucky colleges and universities declined
- Between 2012 and 2016, education and related spending kept pace with inflation
- Beginning in 2017, spending decreased six years in a row
- If left unchecked, this trend could lead to increased use of adjunct faculty, larger class sizes, fewer sections of courses taught, and diminished academic quality



Tuition Recommendation

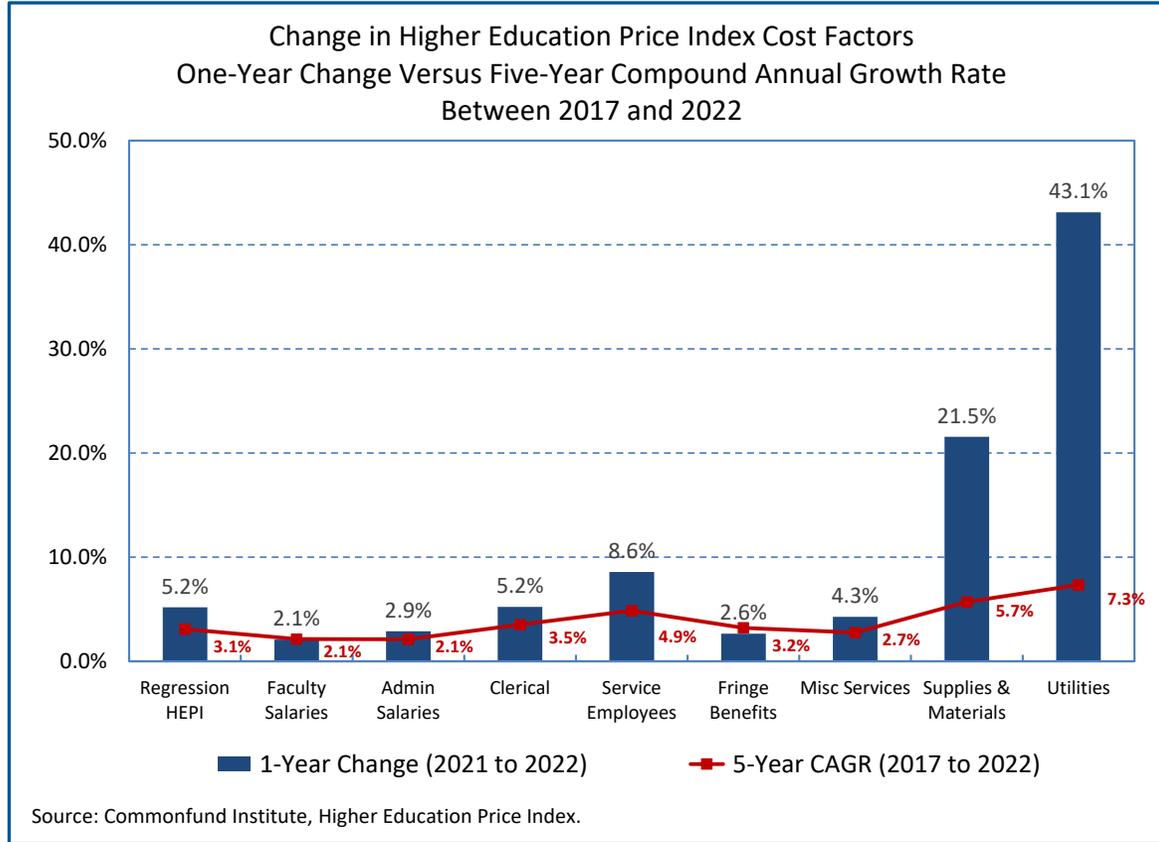
Rationale (Cont'd)

- In 2022, higher education costs, measured using the HEPI, increased by 5.2%, the largest one-year increase in 20 years
- Between this year and next, state funds for educating students will remain flat, but there will be a \$2.2 million reduction in pension subsidy
- Though small, this decrease in funds adds to budgetary challenges caused by rising inflationary costs
- CPE staff estimates that a 5.1% increase in tuition would be required to cover expected cost increases in 2023-24 (@ 3.1% inflation rate)
- If every institution adopted the maximum allowable increase in 2023-24, projected revenue would cover about 60% of expected cost increases

Tuition Recommendation

Rationale (Cont'd)

Staff estimates a 5.1% increase in tuition would be required to cover expected cost increases



- In 2022, the HEPI grew by 5.2%, its largest one-year increase in more than 20 years
- Index cost factors exhibiting the largest increases were service employees, supplies and materials, and utilities

Kentucky Public Postsecondary System
Projected Tuition Increase Needed to Cover Inflationary Costs
Academic Year 2023-24

Estimated Inflationary Cost Increase:

Education and Related Spending (Fiscal 2021-22)	\$2,060,427,600
Assumed Inflation Rate (5-Year Average HEPI)	X 3.1%
Estimated Cost Increase	\$63,873,300

Projected Tuition Revenue (@ 1.0% Increase):

Net Tuition and Fee Revenue (Fiscal 2021-22)	\$1,297,302,200
Apply 1.0% Rate Factor	X 1.0%
Projected Revenue Generated (@ 1.0%)	\$12,973,000

Tuition Increase Needed to Cover Costs:

Estimated Cost Increase	\$63,873,300
Change in State Support (Decrease +)	+ 2,228,900
Residual Cost Increase	\$66,102,200
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Projected Revenue Generated (@ 1.0%)	12,973,000
Tuition Increase Multiple	5.1

Over the past decade, institutions have not been allowed to fully recover state budget cuts or cover inflationary cost increases through higher tuition and fees. Rather, the funding gap has been addressed through cost savings and efficiencies.

Questions

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Recommendation for Approval

Recommended that the Council approve resident undergraduate tuition and fee ceilings for 2023-24 and 2024-25 that equate to:

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