

TITLE: Tuition-Setting Process for Academic Year 2024-25

DESCRIPTION: The Finance Committee received an update on the 2024-25 tuition-setting process, including a listing of Council approved maximum base-rate increases by institution for the upcoming year.

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COMMITTEE'S REVIEW

The Finance Committee received this information update at their March 25, 2024, meeting. It will not be covered or presented in detail at the March 28 board meeting; however, staff will be available for questions.

BACKGROUND

On March 31, 2023, the Council on Postsecondary Education approved tuition and mandatory fee ceilings for academic years 2023-24 and 2024-25. Included among parameters adopted at that meeting was a requirement that base-rate increases for resident undergraduate students not exceed 5.0% over two years, or 3.0% in any one year, at the public universities, nor exceed \$7.00 per credit hour over two years, or \$4.00 per credit hour in any one year, at KCTCS institutions.

In the weeks following that action, the postsecondary institutions submitted tuition and fee proposals for academic year 2023-24 to the Council that had been approved by their respective governing boards. Staff reviewed each institution's proposed 2023-24 tuition and fee charges by degree level, residency, and attendance status and determined that they complied with Council-approved ceilings.

On June 9, 2023, the Finance Committee recommended, and the Council approved, tuition and fee rates for academic year 2023-24 for Eastern Kentucky University (EKU), Murray State University (MuSU), and Western Kentucky University (WKU), as approved by their respective governing boards and proposed to the Council. All three institutions had proposed base rate increases for resident undergraduate students at or below the 3.0 percent cap. At that same meeting, staff requested, and the Council approved, a delegation of authority to the Finance Committee to approve tuition and fee proposals from the remaining institutions.

On June 28, 2023, staff recommended, and the Finance Committee approved on behalf of the full Council, tuition and fee rates for academic year 2023-24 from the remaining institutions, which included the University of Kentucky (UK), the University of Louisville (UofL), Kentucky State University (KSU), Morehead State University (MoSU), Northern Kentucky University (NKU), and the Kentucky Community and Technical College System (KCTCS).

All of the universities proposed resident undergraduate base rate increases at or below the 3.0 percent cap, and KCTCS proposed a base rate increase for residents of \$4.00 per credit hour, which complied with the Council's ceiling. Overall, in academic year 2023-24, the system average increase in postsecondary institution resident undergraduate base rates was 2.8 percent.

MAXIMUM 2023-24 and 2024-25 BASE RATE INCREASES

On March 31, 2023, the Finance Committee recommended, and the Council approved, resident undergraduate tuition and mandatory fee ceilings for academic years 2023-24 and 2024-25 that equated to:

- A maximum base rate increase of no more than 5.0 percent over two years, and a maximum increase of no more than 3.0 percent in any one year, for public research and comprehensive universities; and
- A maximum base rate increase of no more than \$7.⁰⁰ per credit hour over two years, and a maximum increase of no more than \$4.⁰⁰ per credit hour in any one year, for students attending KCTCS institutions.

The Council also approved a recommendation that allows public institutions to submit for Council review and approval:

- Nonresident undergraduate tuition and fee rates that comply with the Council's *Tuition and Mandatory Fee Policy*, or otherwise adhere to provisions of an existing Memorandum of Understanding between the Council and an institution; and
- Market competitive tuition and fee rates for graduate and online courses.

In adopting these parameters, the Council considered a number of key issues for the 2023-24 tuition-setting cycle, including: a) anticipated flat state funding and planned pension subsidy reductions; b) historically low tuition increases that have been adopted over the previous four years; c) the budgetary impact of unprecedented increases in higher education inflation; d) recent real decline in campus spending for educating students; e) decreasing college-going rates among Kentucky residents; and f) overall enrollment trends.

Based on feedback from multiple stakeholders, there was a general sentiment that increases in tuition for the 2023-24 cycle should be moderate to 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 the 60x30 attainment goal.

The proposal to set tuition ceilings for two years, including academic years 2023-24 and 2024-25, was supported by CPE staff and campus officials. It was an approach that had been proposed by staff and approved by the Council three times over the previous nine years. The advantages of adopting two-year ceilings are that it facilitates strategic planning and budgeting for the postsecondary institutions, and it makes college costs more predictable for Kentucky students and families.

In addition to establishing the broad parameters for tuition increases over academic years 2023-24 and 2024-25, the Council identified and approved maximum base rate increases for each university and KCTCS. Listed below, in Tables 1 and 2, are 2022-23 base rates, maximum allowable base rates for 2023-24 and 2024-25, and dollar and percent change figures relative to the 2022-23 beginning year for each institution.

Table 1 shows the academic year 2022-23 base rate, maximum allowable base rate for academic year 2023-24, and one-year dollar and percent changes compared to the 2022-23 base rate for each public university, using the recommended “no more than 3.0 percent in any one year” maximum increase parameter.

Kentucky Public Postsecondary Institution					Table 1
Maximum Base Rate Increases for Resident Undergraduates					
Academic Year 2023-24					
Institution	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 (per credit hour)	\$182.00	\$186.00	\$4.00	2.20%	
KCTCS (per credit hour 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.

Table 1 also shows the 2022-23 base rate, maximum allowable base rate for academic year 2023-24, and one-year dollar and percent changes compared to the 2022-23 base rate for

KCTCS institutions, using the recommended “no more than \$4.00 per credit hour in any one year” maximum increase parameter.

Table 2 shows the academic year 2022-23 base rate, maximum allowable base rate for academic year 2024-25, and two-year dollar and percent changes compared to the 2022-23 base rate for each public university, using the recommended “no more than 5.0 percent over two years” maximum increase parameter.

Lastly, Table 2 shows the 2022-23 base rate, the maximum allowable base rate for academic year 2024-25, and two-year dollar and percent changes compared to the 2022-23 base rate for KCTCS institutions, using the recommended “no more than \$7.00 per credit hour over two years” maximum increase parameter.

As a reminder, resident undergraduate tuition ceilings approved by the Council apply to each institution’s base rate charge. Base rates are defined as total tuition and fee charges, minus any Special Use Fees or Asset Preservation Fees previously approved by the Council, and minus an existing agency bond fee at KCTCS (i.e., BuildSmart Investment for Kentucky Competitiveness Fee). Council staff deduct these fees from total tuition and fees before applying a percent increase parameter, which keeps the fees at a fixed amount each year until they expire.

Kentucky Public Postsecondary Institution Maximum Base Rate Increases for Resident Undergraduates Academic Year 2024-25				Table 2
Institution	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 (per credit hour)	\$182.00	\$189.00	\$7.00	3.85%
KCTCS (per credit hour 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.

In addition to approving the two-year rate ceilings, the Council approved provisions allowing institutions to submit for review and approval, nonresident undergraduate tuition and fee rates

that comply with the Council's *Tuition and Mandatory Fee Policy*, or otherwise adhere to provisions of an existing Memorandum of Understanding between the Council and an institution. Lastly, the institutions were allowed to charge market rates for graduate and online courses, as approved by their governing boards.

CAMPUS 2023-24 TUITION AND FEE PROPOSALS

Following the Council's adoption of the tuition parameters, staff worked with campus officials to obtain tuition and fee rate proposals for academic year 2023-24 from each institution, as well as estimates of fixed cost increases and tuition and fee revenue projections for fiscal year 2023-24.

Three institutions, EKU, MuSU, and WKU, sought approval for proposed tuition and fee increases from their respective governing boards and submitted those proposals to Council staff by late May. Those proposals complied with Council tuition and fee ceilings and were approved by the Council at its June 9 meeting.

On June 28, 2023, the Finance Committee, using a grant of authority provided by the full Council, approved tuition and fee rate proposals for academic year 2023-24 that had been submitted by the remaining six postsecondary institutions. As can be seen in Table 3, the proposals submitted by the remaining universities and KCTCS complied with Council-approved ceilings.

Kentucky Public Postsecondary Institution Adopted Base Rate Increases for Resident Undergraduates Academic Year 2023-24				Table 3
Institution	2022-23 Base Rates ¹	Adopted 2023-24 Base Rates ²	Dollar Change	Percent Change
UK	\$12,859	\$13,212	\$353	2.75%
UofL	12,324	12,632	308	2.50%
EKU	9,544	9,830	286	3.00%
KSU	8,654	8,914	260	3.00%
MoSU	9,308	9,586	278	2.99%
MuSU	9,432	9,708	276	2.93%
NKU	10,208	10,512	304	2.98%
WKU	\$10,912	\$11,236	\$324	2.97%
KCTCS (per credit hour)	\$182.00	\$186.00	\$4.00	2.20%
KCTCS (per credit hour x 30)	\$5,460	\$5,580	\$120	2.20%

¹ 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.

² Campus tuition and fee proposals for academic year 2023-24 were approved by the Council on June 9, 2023 or by the Finance Committee on June 28, 2023.

ALLOWABLE 2024-25 BASE RATE RESIDUALS

Allowable dollar and percent residuals represent the maximum dollar increase and maximum percent increase that an institution may adopt for the upcoming academic year (i.e., 2024-25), given the size of its previous year (i.e., 2023-24) base rate increase. These residuals are only calculated—indeed they are only relevant—in the second year following Council adoption of a two-year tuition ceiling.

For academic year 2024-25, the allowable dollar residual is calculated by subtracting each institution’s adopted 2023-24 base rate from its respective maximum 2024-25 base rate. The percent residual is calculated by dividing each institution’s maximum rate by its adopted rate, subtracting 1.0 and multiplying by 100.

In this tuition cycle, the “no more than 5.0 percent over two years” cap was the relevant parameter for determining the dollar and percent residuals for each university. This is because every university increased its resident undergraduate base rate by 2.5 percent or more in 2023-24 (up to and including two institutions that adopted rates that reached the 3.0 percent cap), ensuring that increases in 2024-25 would fall below the “no more than 3.0 percent in any one year” cap. As can be seen in Table 4, the allowable percent residual is below 2.5 percent for every university, and it is below 2.0 percent for five out of eight universities.

Kentucky Public Postsecondary Institution				Table 4
Allowable Base Rate Dollar and Percent Increase Residuals				
Academic Year 2024-25				
Institution	Maximum 2024-25 Base Rates ¹	Adopted 2023-24 Base Rates ²	Allowable Dollar Residual	Allowable Percent Residual
UK	\$13,502	\$13,212	\$290	2.19%
UofL	12,940	12,632	308	2.44%
EKU	10,021	9,830	191	1.94%
KSU	9,087	8,914	173	1.94%
MoSU	9,773	9,586	187	1.95%
MuSU	9,904	9,708	196	2.02%
NKU	10,718	10,512	206	1.96%
WKU	\$11,458	\$11,236	\$222	1.98%
KCTCS (per credit hour)	\$189.00	\$186.00	\$3.00	1.61%
KCTCS (per credit hour x 30)	\$5,670	\$5,580	\$90	1.61%

¹ Maximum resident undergraduate base rates for academic years 2023-24 and 2024-25 were approved by the Council at their March 31, 2023 meeting.

² Campus tuition and fee proposals for academic year 2023-24 were approved by the Council on June 9, 2023 or by the Finance Committee on June 28, 2023.

The maximum dollar and percent residuals for KCTCS were determined using the “no more than \$7.00 per credit hour over two years” parameter, minus the \$4.00 per credit hour base rate increase it adopted in 2023-24 (see Table 3).

TUITION AND MANDATORY FEE POLICY

Included as Attachment A to this agenda item is a copy of the Council's *Tuition and Mandatory Fee Policy*, which was approved by the Council at their March 31, 2023 meeting. Typically, once the tuition policy is approved by the Council it helps guide the development of tuition and mandatory fee ceiling recommendations for the upcoming academic year and facilitates submission and evaluation of campus tuition and fee proposals.

Given that the Council adopted tuition ceilings for both academic years 2023-24 and 2024-25 at the March 31 meeting, staff is not recommending changes to the tuition policy for the upcoming year. Since ceilings have been established for the upcoming academic year, the policy will be used to facilitate the development, submission, and review of campus tuition and fee proposals for academic year 2024-25.

TIME FRAME FOR CAMPUS PROPOSAL SUBMISSION

CPE staff has already received one tuition and fee proposal for academic year 2024-25 from Kentucky State University. Information regarding the university's proposed resident undergraduate base rate, proposed rates for every other degree level, residency, and attendance status (i.e., full time, part time), fixed cost increase estimates, and projected net tuition and fee revenue generated by the proposed rates is included as a separate action item for this meeting.

It is anticipated that Council staff will work with campus chief budget officers in coming weeks to obtain tuition and fee proposals from the remaining institutions in time to bring them for Council action at the June 21, 2024, meeting.