

REPORT OF THE AD HOC COMMITTEE
ON UNIVERSITY FUNDING

Submitted to

The University Council

and

Chancellor Robert Hemenway

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Report of the Ad Hoc Committee on University Funding

Summary

As of FY 2001, the University of Kansas had a budget gap of approximately \$50,000,000 compared to its peers: the University of Colorado, the University of Iowa, the University of North Carolina-Chapel Hill, the University of Oklahoma, and the University of Oregon. The committee endorses these peer universities as the appropriate benchmark for funding the University. KU was funded at 80% of these peers. This gap must be reduced if the University is to maintain and improve the quality of educational experience provided to students.

The committee recommends an enhancement increase in tuition of \$43,000,000 plus 20 percent (\$8.6 million) for financial aid to be phased in over five years. The remaining portion of the gap is, in the committee's judgment, appropriately the State's responsibility. Students should not be responsible for making up the University's entire budget gap.

Under the Committee's recommendation, tuition will increase for full-time undergraduate students taking thirty credit hours a year by \$495 per year for five years. Tuition will increase from \$2,333 for 2001-2002, to \$2,828 next year, and to \$4,808 in Fall 2006, plus annual maintenance increases. If the current student fee of \$551 is maintained, students enrolled full time will pay tuition and fees of \$5,359 per year beginning in the Fall of 2006. The per-credit-hour increase will be \$16.50 for each of five years for a total increase of \$82.50. The per-credit-hour tuition for an in-state undergraduate student will increase from \$77.75 to \$160.25 over the five year period.

This support is given with the following expectations:

- (1) the amount of the enhancement tuition increase will be \$16.50 per credit hour for each of five years from 2002 through 2006;
- (2) the tuition increase will provide \$43,000,000 for educational enhancements and \$8,600,000 (20 percent of the enhancement) in scholarships for students with unmet financial need;
- (3) there will also be annual maintenance tuition increases to ensure that the budget gap with KU's peers does not grow further;
- (4) the enhancement tuition increase will apply to all students - current and new - equally;
- (5) the enhancement tuition increase will be used only to directly improve the educational experience for students;

- (6) the highest recommended uses for tuition dollars, in no particular order, are GRA stipends, GTA salaries, non-faculty salaries, additional financial aid for students with unmet need, online enrollment, other operating expenses, additional faculty positions, improved teaching facilities, and minority recruitment and retention;
- (7) other appropriate uses of tuition money, in no particular order, are student services support staff in academic units, labs and equipment, technology, libraries, services for students with disabilities, and additional technology support for academic users;
- (8) the Chancellor and Provost will report annually to the University Council and the university community through such avenues as the *University Daily Kansan* and *the Oread* on how the enhancement tuition increase money has been allocated;
- (9) the Kansas Board of Regents and the Kansas legislature will act in good faith and not offset the tuition increases by reducing state appropriations to the University from what they otherwise would have been in the absence of this enhancement tuition increase;
- (10) the legislature will join with students in closing the University's budget gap by restoring any budget cut implemented for the 2002-2003 academic year and by funding increases of approximately \$7,000,000 for faculty salaries, as promised in S.B. 345;
- (11) the legislature will provide sufficient funding increases in the future to prevent the emergence of additional budget gaps for the University compared to its peers;
- (12) the recommended enhancement tuition increases for future years should not be implemented if the legislature provides state funding to reduce the University's funding gap. Our strong preference is for additional state funding so student tuition will not have to increase as much as recommended in this report.

Background

In October 2001, the Kansas Board of Regents asked each of the Regents Universities to develop a five-year tuition strategy. This request responds in part to a change in funding strategy by the Kansas legislature. For the 2001-2002 academic year, the legislature agreed for the first time that universities would be funded on a block grant basis with full tuition ownership. All tuition paid by KU students now effectively stays with the University. Previously, tuition money stayed at the University but general fund allocations were reduced as tuition increased on a dollar for dollar basis. In practice there was no guarantee that increased tuition receipts provided benefit to the University.

The legislature's change in funding policy gives the state universities the option of self-help in the form of higher tuition charges in order to maintain or improve the quality of students' educational experience. The implication is that the legislature would allow the additional tuition monies to remain in the University to be used for the benefit of University. The legislature would make this possibility an effective option by not offsetting state support as tuition was increased. The committee **STRONGLY REJECTS** an alternative interpretation that the legislature's intent was to have universities increase tuition so that state funding could be reduced. If state funding were reduced, students would end up paying higher tuition that, in effect, would be spent on non-higher-education purposes. Such an outcome would be grossly unfair and the committee refuses to believe that a Kansas Governor and legislature would act in such manner with respect to Kansas students and their parents.

Similarly, the committee believes that the Board of Regents' request for the six state universities to develop five-year tuition strategies was done with the understanding that each university would be allowed to keep the funds raised by higher tuition. This understanding would be consistent with the principle that students who pay higher tuition should benefit from an improved educational experience. The committee strongly endorses this principle. The implication for universities that choose to increase tuition is this: the Board of Regents will support funding for these to the same extent as though these universities had not raised tuition. Thus, the committee supports this enhancement increase in tuition with the expectation that the Board of Regents will not support a reduction in funding for KU from state funds and will not reallocate funds to other state universities that choose not to raise their tuitions by like amounts.

During November 2001, Provost David Shulenburg developed three enhancement tuition increase scenarios increasing tuition by \$25,000,000, \$40,000,000 and \$50,000,000. He also proposed several options for who would pay the enhancement tuition increase – new students only or all students. These scenarios were presented to groups of students and faculty across campus as part of a university community discussion on tuition and university funding.

In order to ensure adequate input from students, faculty, and staff, the University Council appointed the Ad Hoc Committee on University Funding to consider the need for an enhancement increase in university funding and to recommend whether any of the

proposals presented by the Provost should be supported. The committee's ten voting member were (1) four students, (2) four faculty, (3) one unclassified staff, and (4) one classified staff. One student and one faculty member from the Medical Center were included in the above numbers. There were also five ex-officio members who participated in the committee's discussions but not its votes.

The committee met nine times and received information about the University's budget, the peer universities, and financial aid. The meetings were open to the public and time was set aside at the start of each meeting for student comments on the proposed enhancement tuition increases.

Charges to the Committee

University Council gave four charges to the committee to investigate and report back to the group.

1. To review the stated vision of the University of Kansas as presented to the Board of Regents on January 15, 2002, by the Chancellor.

The committee met with Chancellor Hemenway and discussed his vision for the University to be a top twenty-five public research university. As a result of this discussion, there was a better understanding that an improvement in the ranking of the University of Kansas would mean an increase in resources and improvement in student services. Not only would the reputation of the institution increase, but so would the quality of the educational experience available to students.

2. To review in-depth the financial necessities outlined in the three proposed tuition increase scenarios.

After looking at the FY 1999 Cost Study, the committee understood the source of the numbers behind the scenarios. The estimate for FY 2001 of \$50 million was broken down into different areas of need for the University. The preliminary numbers for FY 2002, provided by the Regents, show the gap has expanded to \$56.2 million. The committee's conclusion is that the budget gap must be closed to maintain the quality of the educational experience offered to students.

3. To review the formulas used for calculating and awarding financial aid gathered from the proposed tuition increase scenarios.

The committee met with staff from the Financial Aid Office on two separate occasions. They informed the committee that the proposed allocation of 20 percent (\$8.6 million) would be sufficient to cover the additional unmet need of those students already in the financial aid system. They did not expect a large number of additional students to enter the system following the enhancement tuition increase.

The committee supports and recommends that the Financial Aid office use new forms of technology, i.e. students' e-mail, student and department listserves, to contact students about deadlines for filing financial aid applications.

4. To come to a consensus and recommend a specific plan on tuition for the fiscal year 2003.

While the committee does not endorse any of the tuition scenarios presented by the Provost, it does support a \$43 million increase with an additional 20 percent (\$8.6 million) for financial aid to be spread out over five years. This would help cover the gap, while not placing the entire burden on the backs of students. While the students support some self-help, they must not be asked to carry the total weight. The Committee was presented with a resolution from Student Senate opposing the recommendation of \$43 million. The state **MUST** do its duty by bridging the rest of the gap and funding the University of Kansas at a rate at least equal to its peers.

Additionally, the committee met with the Chancellor, who asked the committee to look at five questions.

1. Is a tuition increase necessary?

If the quality of the educational experience received from the University of Kansas is to remain at its current level or improve, then an enhancement tuition increase must take place. Quality faculty may leave, GTA's may seek higher-paying universities, classrooms will continue to deteriorate, and services available to students will decline if an enhancement tuition increase does not take place.

2. How much of an increase should occur?

This question was answered in response to charge four above.

3. To whom should a tuition increase be applied?

The burden should be spread across all students for three reasons. First, certain benefits will be immediate for all students. Second, there is a fear of creating two classes of students by differentiating the costs of tuition. Finally, many of resident students apply to both the University of Kansas and Kansas State University. As of the drafting of this report, KSU has not looked at a plan putting the cost only on incoming students. If KU decided to place the burden only on incoming students, the result could be a substantial drop in enrollment. Students' tuition should increase at the same dollar amount whether nonresident or resident, undergraduate or graduate.

4. Where should the money be spent?

A list of priorities is found later in the report under the heading **Recommended Uses of the Enhancement Tuition Increase**.

5. What principles should apply?

The committee deeply believes that any enhancement tuition increase should benefit the students who pay the increased tuition. This principle means that the increased tuition money should be spent on items that directly improve the quality of the educational experience for students.

The committee also strongly recommends that enhancement tuition increases be accompanied by an increase in financial aid for students with unmet financial need. Based on information from the Financial Aid staff, the committee adopts the number of an additional 20 percent of an enhancement tuition increase (\$8.6 million) for financial aid. This amount is to help ensure a diverse student body is present at the University of Kansas.

The University's Funding Gap

The University of Kansas had a budget gap of approximately \$50,000,000 in FY 2001. More recent data for FY 2002 show that the budget gap has increased to \$56,000,000. This amount was needed in FY 2001 to bring the University's funding up to the average of its peer institutions: University of Colorado, University of Iowa, University of North Carolina-Chapel Hill, University of Oklahoma, and University of Oregon.

The budget gap for FY 2001 can be broken down into these categories:

Faculty salaries and benefits:	\$9,000,000
Other salaries and benefits:	\$21,000,000
Other Operating Expenses:	\$20,000,000
Total:	\$50,000,000

Overall, KU was funded at 80% of its peer universities. This amount is down from 89.5% in 1978. State funding for the University has not kept pace with support provided by the states in our peer comparison group.

The committee carefully considered whether the designated peers are appropriate for KU and came to the conclusion that they are. The peer universities are comparable to KU in terms of mission, and they are located in states that are comparable to Kansas in size and population. To have KU funded at the average of the peer universities is not an ambitious goal and by itself will not allow KU to be the high quality university that the committee believes it should be. But funding at this level from tuition and state appropriations is a reasonable base that can be built on by private support.

The committee's conclusion is that the University will not be able to continue providing Kansas students with a high quality educational experience unless this budget gap is closed. Over time the quality of the faculty will decline in comparison to peer

universities, as it will not be possible to retain or recruit high quality faculty with below average salaries and inadequate teaching facilities and resources. The committee is particularly concerned that the University will not be able to continue to attract high quality graduate students to be Graduate Teaching Assistants (GTA's) and Graduate Research Assistants (GRA's) unless their wages are brought up to competitive levels and quality graduate programs continue to be supported. The University will also be unable to provide students with sufficient classes, academic support staff, classrooms, laboratories and equipment, access to technology, and library collections.

If funding is continued at its current level relative to peer universities, KU's quality and reputation will inevitably decline, and Kansas students who desire a high quality educational experience at a top public research university will have to leave the state. This state of affairs is not acceptable.

Enhancement Tuition Increase

The committee recommends an enhancement tuition increase of \$16.50 per credit hour for each of the next five years. The remaining portion of the budget gap is, in the committee's judgment, appropriately the State's responsibility. Students should not be responsible for making up the University's entire budget gap.

Under the committee's recommendation, tuition will increase for full-time undergraduate students taking thirty credit hours a year by \$495 per year for five years. Tuition will increase from \$2,333 for 2001-2002, to \$2,828 next year, and to \$4,808 in Fall 2006, plus annual maintenance increases. If the current student fee of \$551 is maintained, undergraduate students enrolled full time will pay tuition and fees of \$5,359 per year beginning in the Fall of 2006. The per-credit-hour increase will be \$16.50 for each of five years for a total increase of \$82.50. The per-credit-hour tuition for an in-state undergraduate student will increase from \$77.75 to \$160.25 over the five-year period.

Table 1 shows the increases in tuition for a full-time undergraduate taking thirty credit hours who is a resident of Kansas. The annual increase of \$16.50 will also be applied to graduate students and out-of-state students.

Table 1
 Recommended Enhancement Tuition Increases By Year
 Full-Time Student Taking 30 Credit Hours Per Year
 (table excludes annual maintenance increase)

<u>Year</u>	<u>Enhancement tuition increase</u>	<u>Annual Tuition</u>	<u>Per Credit Hour</u>
2001-2002	-	\$2,333	\$77.75
2002-2003	\$495	\$2,828	\$94.25
2003-2004	\$495	\$3,323	\$110.75
2004-2005	\$495	\$3,818	\$127.25
2005-2006	\$495	\$4,313	\$143.75
2006-2007	\$495	\$4,808	\$160.25

A major component of the committee’s recommendations is that financial aid funds be increased for students with additional unmet financial need to facilitate the continued enrollment of a diverse student body. In addition to providing \$43 million for enhancement, the recommended increase will provide \$8,600,000 in additional scholarships for students with additional unmet financial need. It is estimated that this amount will cover the additional cost of tuition for students with need who are currently receiving financial aid. An unknown number of students currently not receiving financial aid may develop unmet financial need and thus become eligible for these scholarships. In addition, a portion of the tuition enhancement may be allocated for additional need-based financial aid.

The committee recognizes that there will also be annual maintenance tuition increases to ensure that the gap with KU’s peers does not grow larger. The enhancement tuition increase that the committee recommends is necessary to close the gap that now exists with KU’s peers. In order to prevent the gap from expanding, maintenance tuition increases similar to those over the past few years will also be needed. The committee anticipates that the annual maintenance increases will be in the range of 3-5 percent, which is approximately the rate of increase of the higher education price index (HEPI).

The committee did not consider differential enhancement tuition increases for professional schools. Such differentials exist in current tuition rates and may be increased in the future. If so, then the committee recommends that the same principle for the spending of such differential increases be applied as the committee has recommended for the more general enhancement tuition increase: students who incur the costs of higher differential tuition should also receive the benefits through enhancements in their educational experience. It would also be necessary to consult with students in the various professional schools about the magnitude of any such differential enhancement tuition increase as well as how the revenues will be spent.

KU Tuition

One consideration in the committee's recommendation of an enhancement tuition increase is that KU's tuition is currently low compared to area universities in the Big 12. For fiscal year 2002, KU's tuition for a full time student is \$2,884, including student fees. This figure puts KU's ranking at 8th in the Big 12. Given scheduled increases at other Big 12 universities, KU's ranking would not change next year even though tuition and fees would increase to \$3,379. Table 2 shows the current tuition and fees and estimates next year's amount for each Big 12 university.

Table 2
Tuition and Fees Big 12 Universities, FY 2002
Full Time Student Taking 30 Credit Hours

<u>State</u>	<u>FY 2002</u>	<u>FY 2003</u>
Missouri	4,887	5,229
Texas	3,776	4,676
Texas A&M	3,723	4,623
Nebraska	3,760	4,136
Iowa State	3,442	4,113
Texas Tech	3,489	3,733
Colorado	3,356	3,591
Kansas	2,884	3,379
Kansas State	2,835	3,375
Oklahoma State	2,794	2,990
Oklahoma	2,713	2,903

Note: Missouri – 7%; Texas/Texas A&M - \$30/schr new students; Nebraska - 10%; Texas Tech – 7%; Iowa State – 19.5%; Oklahoma/Oklahoma State – 7%; Kansas State – assume 12% + technology fee (mid point of their presentation)

Source: Associate Provost for Support Services

The committee anticipates that over the next five years KU tuition will increase more rapidly than that of other Big 12 schools.

Recommended Uses of the Enhancement tuition increase

A fundamental principle guiding the committee is that if students pay more they should receive a higher quality educational experience.

The committee recommends to the Chancellor that the funds raised from the enhancement tuition increase be used for the following, in no particular order: financial aid; GRA stipends; GTA salaries; wages for student hourly workers, classified, and unclassified staff; labs and equipment; online enrollment; technology; minority recruitment and retention; services for students with learning disabilities; improved teaching facilities; additional faculty positions; library collections; faculty salaries; additional support staff; additional technology staff for academic user support; administration within academic units and student services; and an increase in other operating expenses.

Spending priorities at the Medical Center will be recommended by a committee of Medical Center student leaders and staff.

The Committee's Priority List

While the committee understands that all of the above issues are of great importance to the University as a whole, the committee was charged with recommending priorities for allocating the enhancement tuition dollars. While some issues are of great importance to the University, they are not necessarily the best investment of enhancement tuition dollars.

The areas the committee felt strongest about investing enhancement tuition dollars were, in no particular order, GRA stipends, GTA salaries, non-faculty salaries, additional financial aid for students with unmet financial need, online enrollment, other operating expenses, additional faculty positions, improved teaching facilities, and minority recruitment and retention.

Also important but slightly less so were, in no particular order, additional support staff, administration within academic student services, labs and equipment, technology, libraries, services for students with disabilities, and additional technology support for academic users.

While the committee judged that faculty salaries are critical, the committee thought it was not prudent to invest enhancement tuition dollars in faculty salary increases, due to the state's obligation to fund SB 345. Until the state fulfills its obligation, the committee did not think enhancement tuition dollars should be used for the purpose of increasing faculty salaries.

The committee stresses that the money from the enhancement tuition increase should not be spent on items that do not directly benefit the quality of the educational experience for students at KU. The committee recommends that the monies do not go for such items as increases in central administration staff or salaries, remodeling of non-classroom facilities, parking facilities or staff, or for campus beautification programs.

Maintenance of State Appropriations

The committee's main concern in supporting the proposed enhancement tuition increase is that the legislature may reduce its funding of state universities as tuition is increased. The committee is particularly concerned that state support for the University of Kansas and Kansas State University might be reduced if they substantially increase their tuitions. In the worst case scenario, the legislature could reduce state appropriations by an amount equal to the enhancement tuition increases. Such a response would leave students paying substantially higher tuitions and getting no value added to their educational experience in return. That response would be unacceptable and a denial of KU and KSU students' right to enhance their educational experience in return for paying a higher tuition.

By supporting the proposed enhancement tuition increase the committee anticipates that the legislature will act in good faith and not zero sum the University budget. Indeed, the anticipation is that the state will increase the University's annual appropriation each year through 2006. Over the past years, state appropriations to higher education have increased between 4.5 and 5 percent per year. The committee urges that the increases be greater as the legislature increases its emphasis on the importance of higher education to the state's future.

The committee strongly believes students should not have to pay enhancement tuition increases to close the University's entire budget gap. The Kansas legislature and the Board of Regents should join with students in eliminating the gap and ensuring it does not recur in the future. A partnership among KU students, the Board of Regents, and the Kansas legislature is necessary if the gap is to be eliminated.

The committee expects that the Board of Regents will request of the legislature the same percentage increase in the block grants for the University of Kansas and for Kansas State University as for the state universities that choose to increase their tuitions by smaller amounts. KU students are willing to increase their tuition with the understanding that the increases will not be an occasion for the Regents to support a reallocation of state resources away from the University of Kansas to state universities that choose not to raise their tuition to such an extent.

Finally, the committee request that the Chancellor and the Board of Regents propose to the legislature a request for state support that would (1) restore any temporary budget cuts that may be enacted for the 2002-2003 academic year and (2) provide the funding promised to state universities in SB 345. This request should be in three parts.

First, the state legislature should be asked to make up in subsequent years any budget cut that is imposed during the 2002-2003 academic year due to a shortfall in state revenue. Any such decrease is not a result of a considered policy decision to reduce state funding for the University and should be considered as temporary and scheduled for reversal once state revenues increase. The committee considers this request important because students support a enhancement tuition increase in order to improve the quality

of their educational experience, to close the budget gap with peer universities, and not to allow the state to reduce its commitment to the University.

Second, the state should be asked to fulfill its commitment and provide the funding promised in S.B. 345 to make up a substantial portion of the gap in faculty salaries. If funding to S.B. 345 is restored, the committee believes the University will have an opportunity to close its budget gap with peer universities, which is now estimated to be \$56,000,000. The committee supports a good faith effort to address the budget gap by raising tuition, but the committee recognizes that the entire gap cannot be ended without a commensurate good faith effort by the legislature to fully fund SB 345 and to make up the budget cuts for 2002-03.

Third, the annual budget increases submitted to the Board of Regents and the legislature should be large enough to prevent the University's budget gap from recurring in the future. This budget submission should clearly identify the amount of increase that is necessary to maintain the state's funding effort and prevent a substitution of enhancement tuition increase money for state appropriations. The committee views the recommended enhancement tuition increase as an invitation to the state legislature and the Board of Regents to join with students in an effort to maintain and enhance the quality of educational experience offered by the University of Kansas. With the envisioned state support, the student tuition enhancements can successfully ensure a quality educational experience for current and future KU students.