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# NKU Budget Update and Per-Credit-Hour Tuition

January 14, 2008

# State Budget Situation

- National economic recession
  - ✓ State revenues typically lag economic recovery by at least 13 months
- Consensus forecasting group projected a \$456M revenue shortfall this year which could reach \$1 billion next year
- Governor Beshear implemented cuts to state agencies and postsecondary education to address the shortfall
  - ✓ 2% cut to postsecondary education in 08-09
  - ✓ Proposed 70 cents an increase in the cigarette tax along with other measures
  - ✓ Additional cuts to postsecondary education in 09-10 likely along with very limited ability to increase tuition
- Mounting pressure around student affordability

# 2008-09 Non-recurring cut

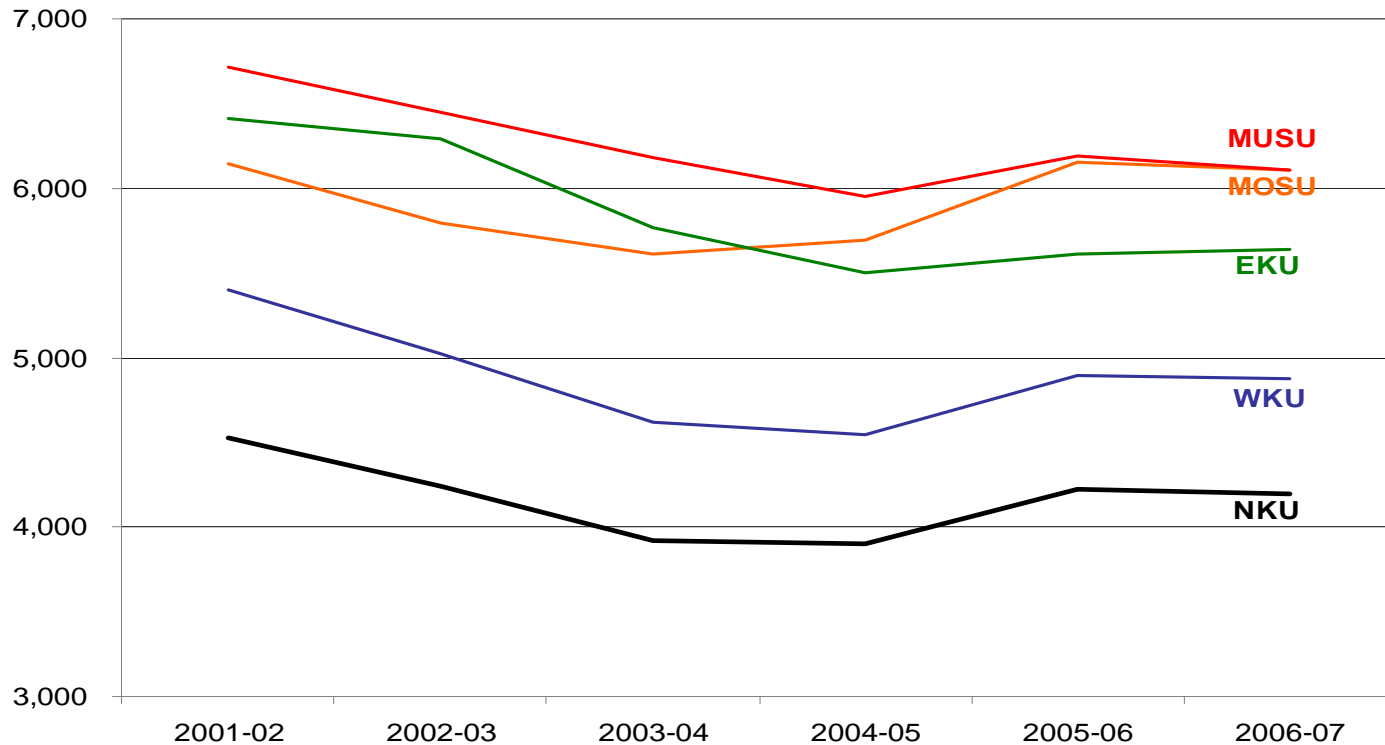
- 2% State appropriation reduction (\$1,046,250)
- Handled on a short-term cash basis
  - ✓ Hiring restrictions implemented for all non-instructional positions
  - ✓ Travel restrictions imposed
  - ✓ Each VP area and the President's Office (with the exception of Academic Affairs) will contribute 8.3% of their operating and capital base on a one-time cash basis
  - ✓ Instructional units were protected: Academic Affairs will contribute 7.3% of their adjusted operating and capital base on a one-time cash basis

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# Information on State Appropriations

- 6 out of the past 8 years NKU has received a cut in state appropriations including mid-year and beginning year cuts
- The university's net general fund appropriation per FTE remains the lowest among the comprehensive universities in the Commonwealth.
- The university would require an additional \$14 - \$17 million in State Appropriations to be funded at the average of the comprehensive universities.

# Comparison of Comprehensive Institutions Net State Appropriations Per FTE\* (Inflation Adjusted FY 2005-06)

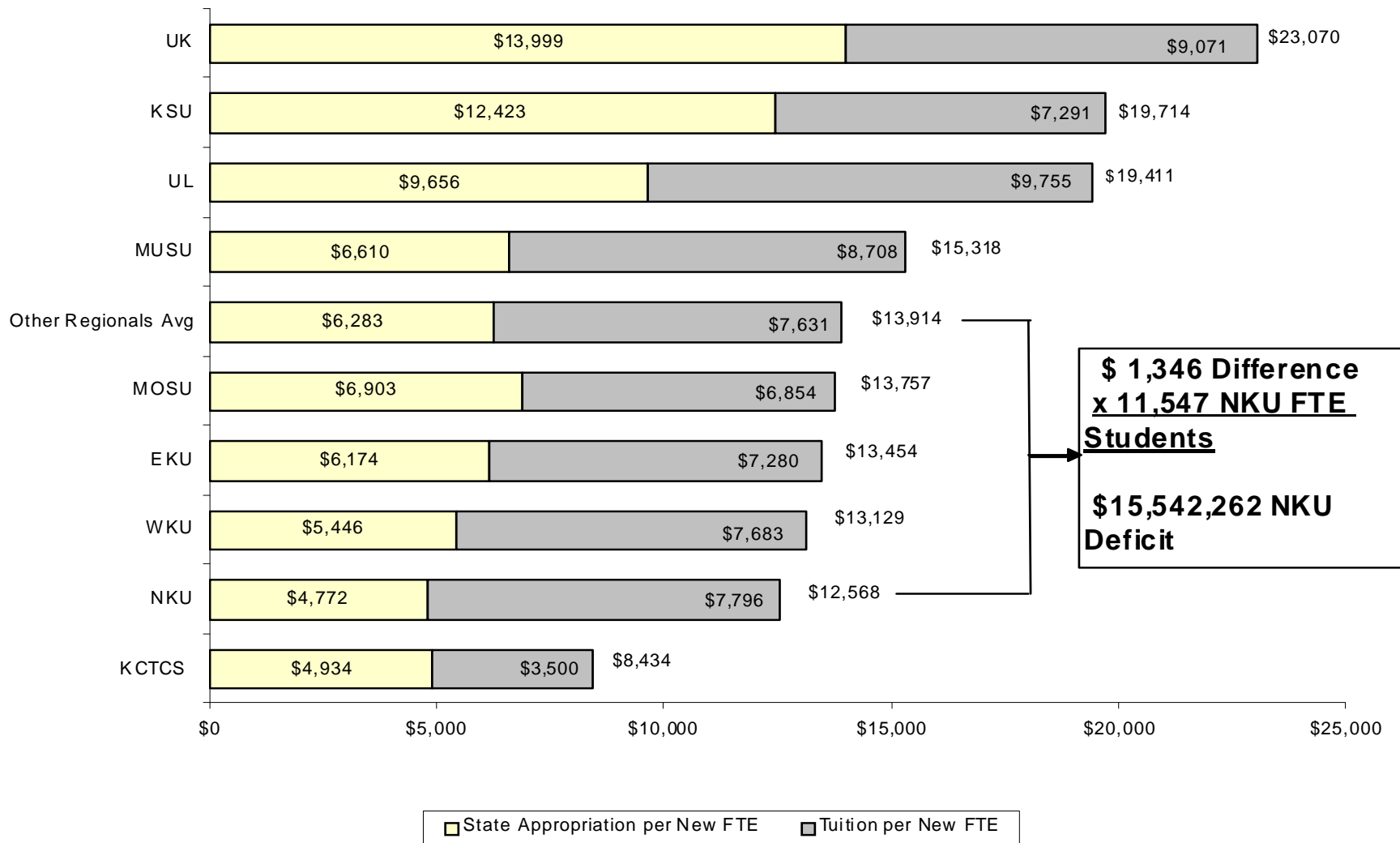


**\*State Appropriation Less Debt Service**

**FTE – CPE changed the FTE calculation from Fall full-time headcount plus 1/3 part time headcount to: Fall Semester total credit hours for UG divided by 15, GR divided by 12 and Law divided by 12**



# FY 2007-08 Total Public Funds\* Per FTE\* Students



\*Total Public Funds = Estimated FY 2008 Year End Tuition Revenues Plus State Appropriation Adjusted for Budget Cut Less Debt Service Less UL Hospital

\*FTE = Fall 07 Semester Total Credit Hours for UG Divided by 15, GR Divided by 12 and Law Divided by 12

# 2009-10 Best / Worst Case Planning Scenarios

	<b>Best Case</b>	<b>Worst Case</b>
Tuition Increase	5,000,000	0
State Appropriation (2% - 12%)	-1,046,250	-6,277,500
<b>Change in Total Public Funds</b>	<b>3,953,750</b>	<b>-6,277,500</b>
Fixed Costs and Base Adjustments	\$4,600,000	\$4,600,000
PRISM Recurring	\$1,000,000	\$1,000,000
<b>Shortfall in Recurring Central Funds</b>	<b>\$1,646,250</b>	<b>\$11,877,500</b>
<b>Plus Reallocation for Investment</b>	<b>?</b>	<b>?</b>

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# 2009-10 Budget Development Process

- Looking for ways to increase revenue beyond tuition and state funds
- Planning for the best case and worst case scenarios
  - ✓ Limiting cuts to instructional units to protect core mission and maintain current levels of revenue generation
- Working with the State on tuition setting and potential cuts in state appropriations

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# 2009-10 Budget Development

## Guiding Principles:

- Preserve our core strengths
- Protect student access and affordability
- Continue to improve institutional effectiveness, including increased efficiencies and cost containment
- Invest in competitiveness, particularly around people
- Make incremental progress on our Business Plan to the extent possible
- Continue to support Vision 2015 in more focused and targeted ways

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# Conversion to Per-Credit-Hour Tuition

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# Why charge for every credit hour taken?

- Fairer
  - ✓ All students pay for the courses they take
  - ✓ Nearly 50% of our students are paying 100% for the credit hours they take and subsidizing those who receive a discount
- All students have financial consequences for not completing a courses successfully
- Simplifies administration and forecasting
- Promotes alternative class calendars such as summer and winter sessions

# What Students Pay Now

## – Resident Example

<b>% of resident students</b>	<b>Tuition Charge Per Credit Hour</b>
49%	\$ 272
10%	\$ 251
4%	\$ 233
21%	\$ 218
9%	\$ 204
2%	\$ 200
3%	\$ 196

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# What Students Pay To Drop a 3 Credit Hour Class (Fall 2008 Resident Example)

- 70% of our students lost between \$68 and \$816 in non-refunded tuition (resident example only)
- No lost tuition to 30% of our students

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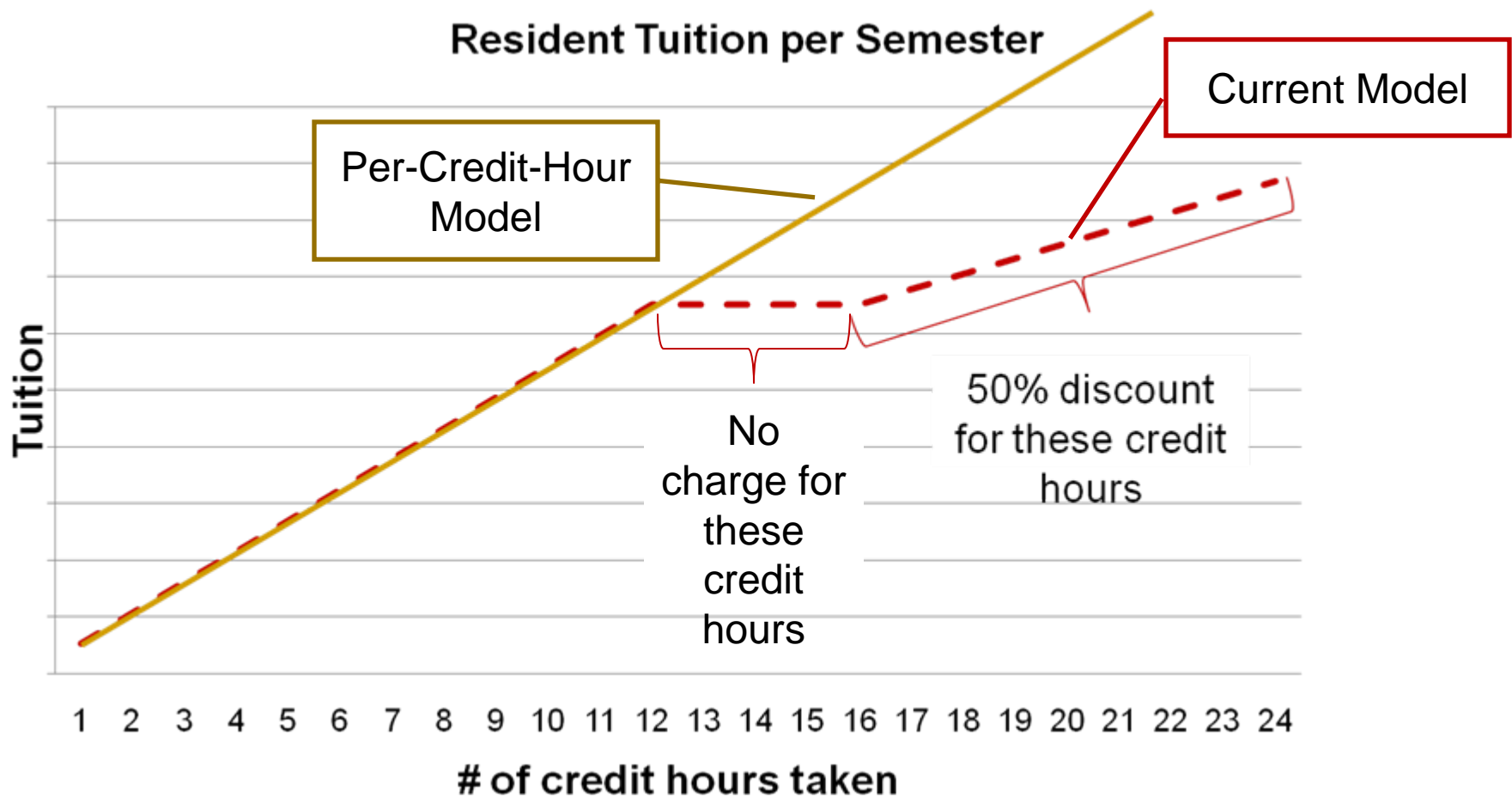
# Why Are Dropped Classes A Problem?

- Lost opportunity for other students to enroll
- Lost revenue to NKU for most vacant seats

# What would 100% per-credit-hour look like?

Hours Enrolled	Current Structure	Per-Credit-Hour Structure	Current Discount
12 and under	\$272 per-credit-hour	\$272 per-credit-hour	0%
13	\$3,264	\$3,536	7.7%
14	\$3,264	\$3,808	14.3%
15	\$3,264	\$4,080	20.0%
16	\$3,264	\$4,352	25.0%
17	\$3,400	\$4,624	26.5%
18	\$3,536	\$4,896	27.8%
19	\$3,672	\$5,168	29.0%
20	\$3,808	\$5,440	30.0%
21	\$3,944	\$5,712	31.0%

# Current Tuition Revenue



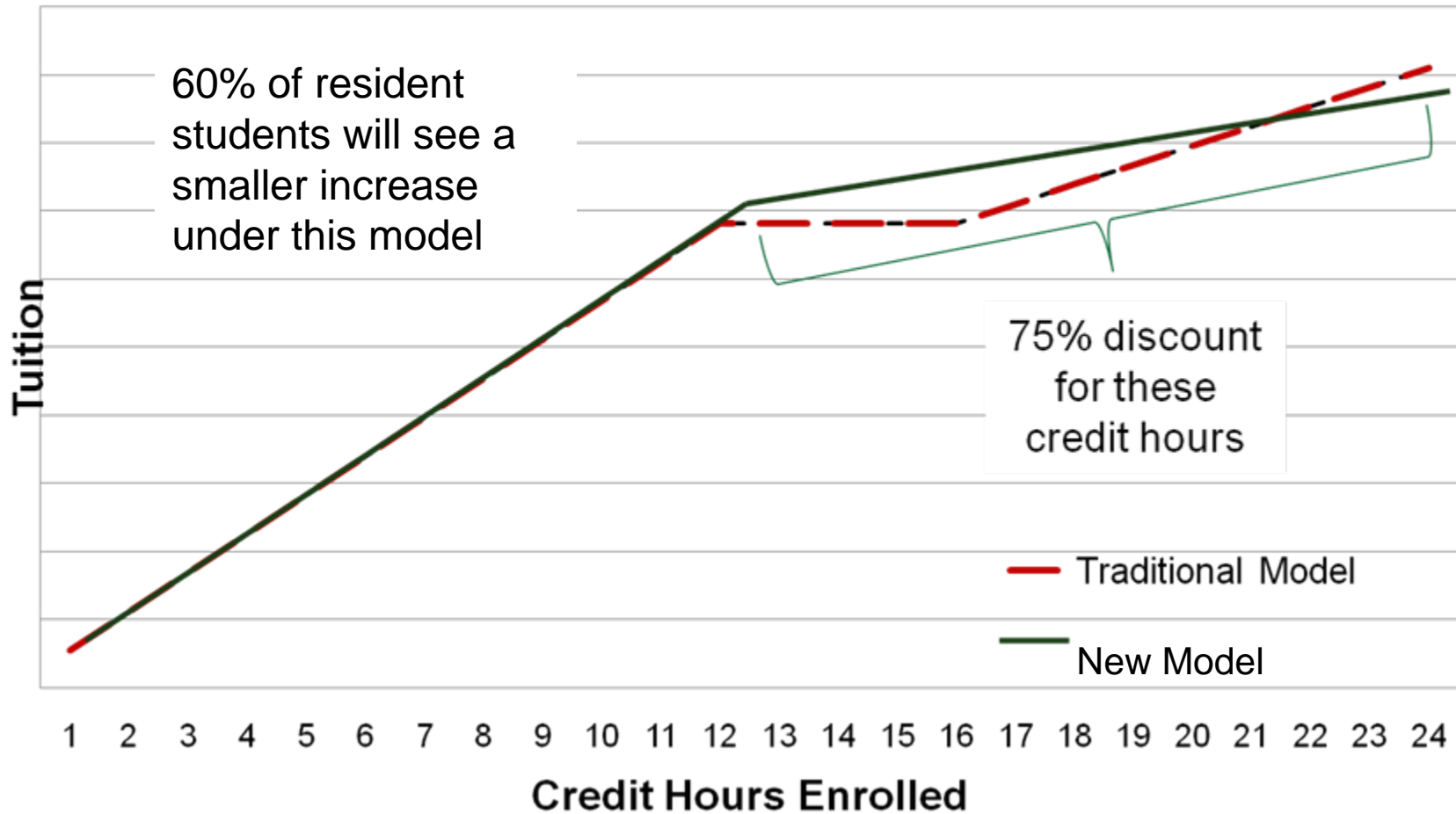
# Proposed Per-Credit-Hour Tuition Structure

Credit Hour	Current Cost per Credit Hour	Proposed Cost per Credit Hour
1-12	100% the per-credit-hour rate	100% the per-credit-hour rate
13 – 16	0% the per-credit-hour rate	25% the per-credit-hour rate
17 and above	50% the per-credit-hour rate	25% the per-credit-hour rate

60% of resident students will see a smaller increase under this model

# Proposed Tuition Structure

## Resident Tuition



# Resident tuition – modeled at a \$6 a credit-hour increase, 4.97% weighted average

Hours Enrolled	% of students impacted	Current Rate per Semester	Modeled Rate per Semester	% increase
12 and under	49%	\$272 per-credit-hour	\$278 per-credit-hour	2.2%
13	10%	\$3,264	\$3,406	4.3%
14	4%	\$3,264	\$3,475	6.5%
15	21%	\$3,264	\$3,545	8.6%
16	9%	\$3,264	\$3,614	10.7%
17	2%	\$3,400	\$3,684	8.3%
18	3%	\$3,536	\$3,753	6.1%
19	.6%	\$3,672	\$3,823	4.1%
20	.1%	\$3,808	\$3,892	2.2%
21	.1%	\$3,944	\$3,962	0.4%

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# Scholarships and Financial Aid

- All full scholarships will be held harmless
- Enrollment Management is currently working through the implementation details for financial aid and partial scholarships

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# Tuition Setting – Next Steps

- January 26 – Presentation of proposed student related fees to Student Government
- February 9 – Presentation of proposed tuition rates to Student Government
- March 6 – CPE takes action on tuition rates
- March 11 – Board of Regents takes action on tuition rates

# A Decade of Progress

**1997-98**      **2007-08**

## **Enrollment**

Undergraduate	10,625	12,725
Graduate/Law	1,160	2,082
Minority (all levels)	488	1,103
Online (all levels)	0	2,266

## **Degrees Awarded**

Bachelors	1,122	1,706
Graduate/Law	318	616
Minority (all levels)	62	133