

KANSAS BOARD OF REGENTS



HOUSE EDUCATION BUDGET COMMITTEE

February 14, 2011

Kansas Board of Regents Budget Request

Dr. Andy Tompkins, President & CEO

★ LEADING HIGHER EDUCATION ★

★ FORESIGHT 2020 ★



A 10-Year Strategic Agenda for Public Higher Education

- ★ Achieve alignment between the state's preK-12 and higher education systems and continue to enhance alignment between higher education institutions.
- ★ Achieve participation in the state's higher education system that better reflects the state's demography and more fully engages adult learners.
- ★ Achieve measurable improvement in persistence and completion rates for higher education institutions.
- ★ Ensure that students earning credentials and degrees possess the foundational skills essential for success in work and in life.
- ★ Enhance alignment between the work of the state's higher education system and the needs of the Kansas economy.
- ★ Enhance the regional and national reputation of Kansas universities through aspirational initiatives.

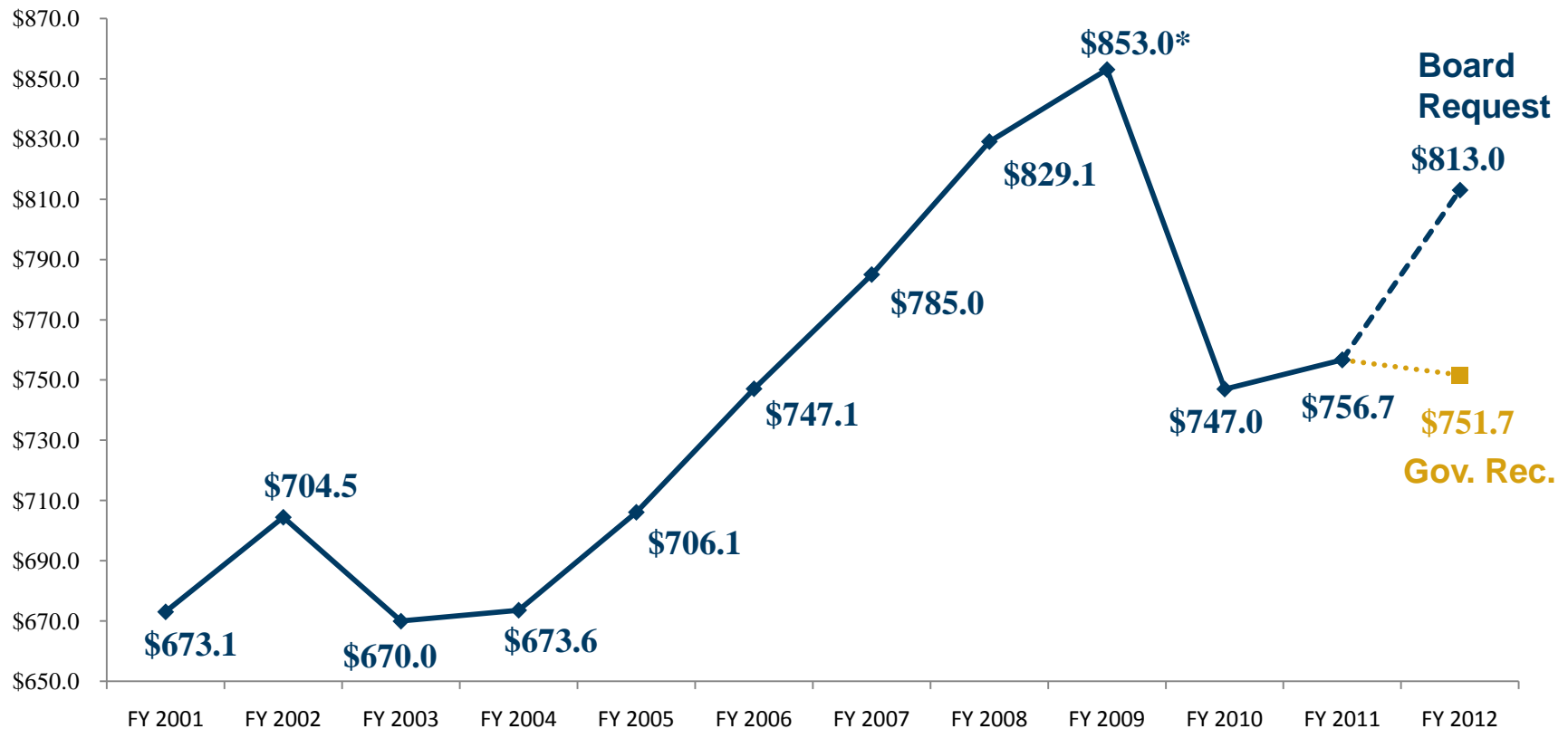


Board of Regents' Legislative Priorities

- ★ Support Governor's FY 2012 Budget
- ★ Seek Continued Support for the Higher Education System including Kan-ed.
- ★ Increase Aid to Students in Need.
- ★ Address Deferred Maintenance.
- ★ Implement a New Tiered Technical Education Funding Approach.



State Higher Education SGF Funding (FY01 – FY12)



*Appropriated



Continued Support for the Higher Education System including Kan-ed



THE ISSUE:

- ★ Since FY 2009, the state's higher education system has been cut over \$100 million (a 12% cut), and State funding per student is at an all-time low.

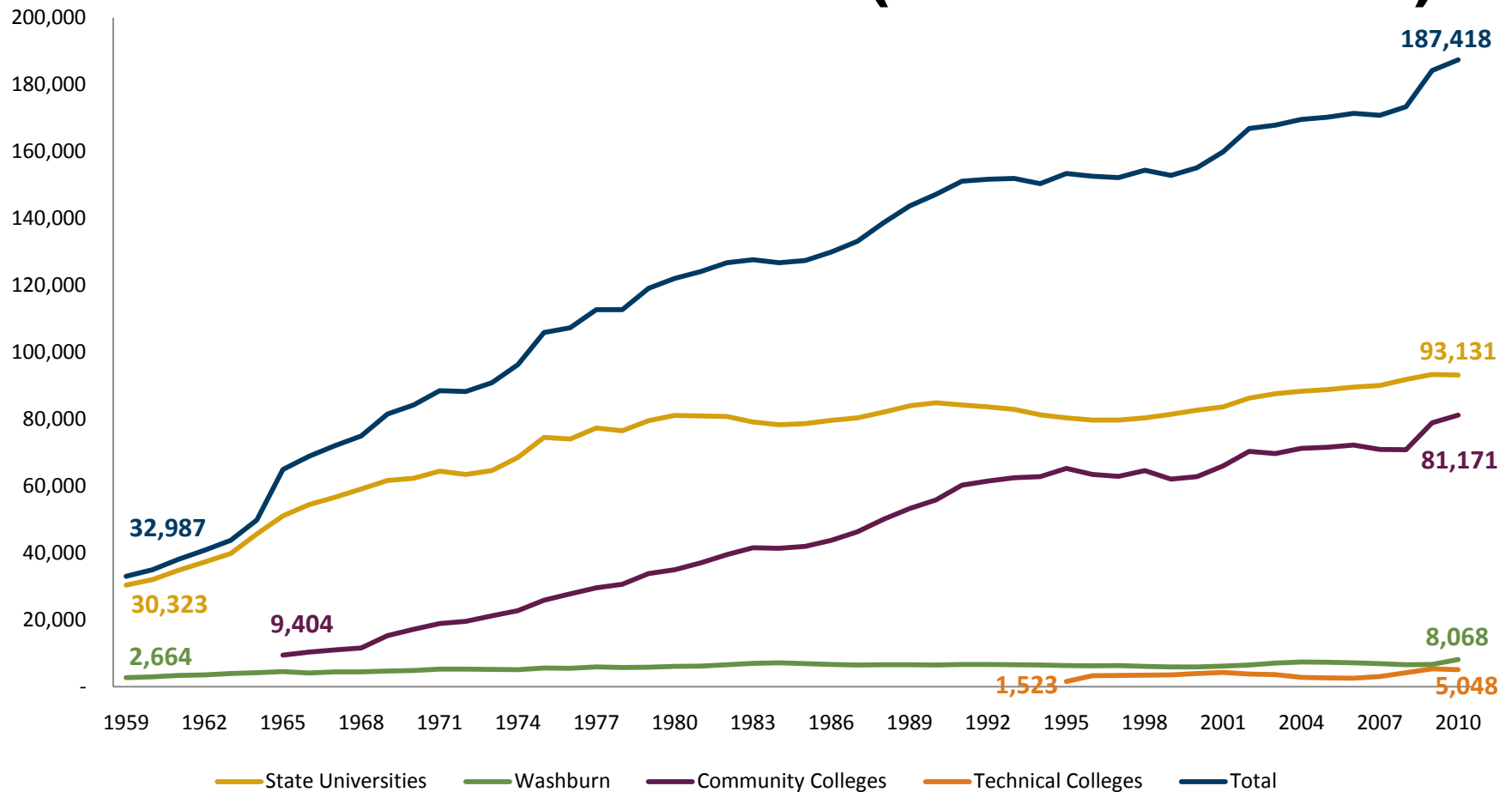


Inflationary Challenges

- ★ State Group Health Insurance Rate Increase of 10% in FY 11 and 15% in FY 12 (university cost = \$11 million)
- ★ Ongoing Utility Increases
- ★ Increased Enrollments especially in Two Year Colleges

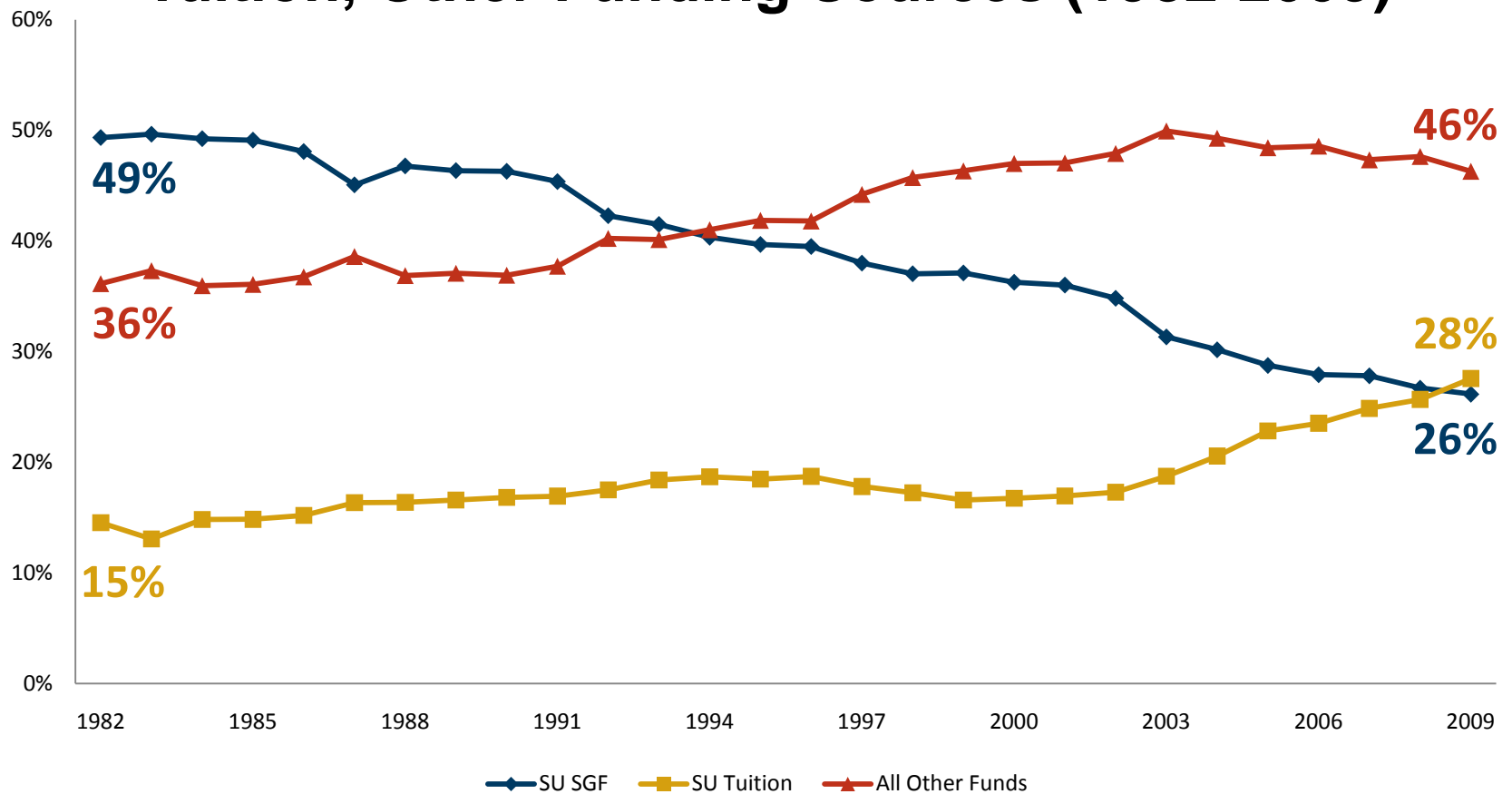


Student Enrollment (Fall Headcount)



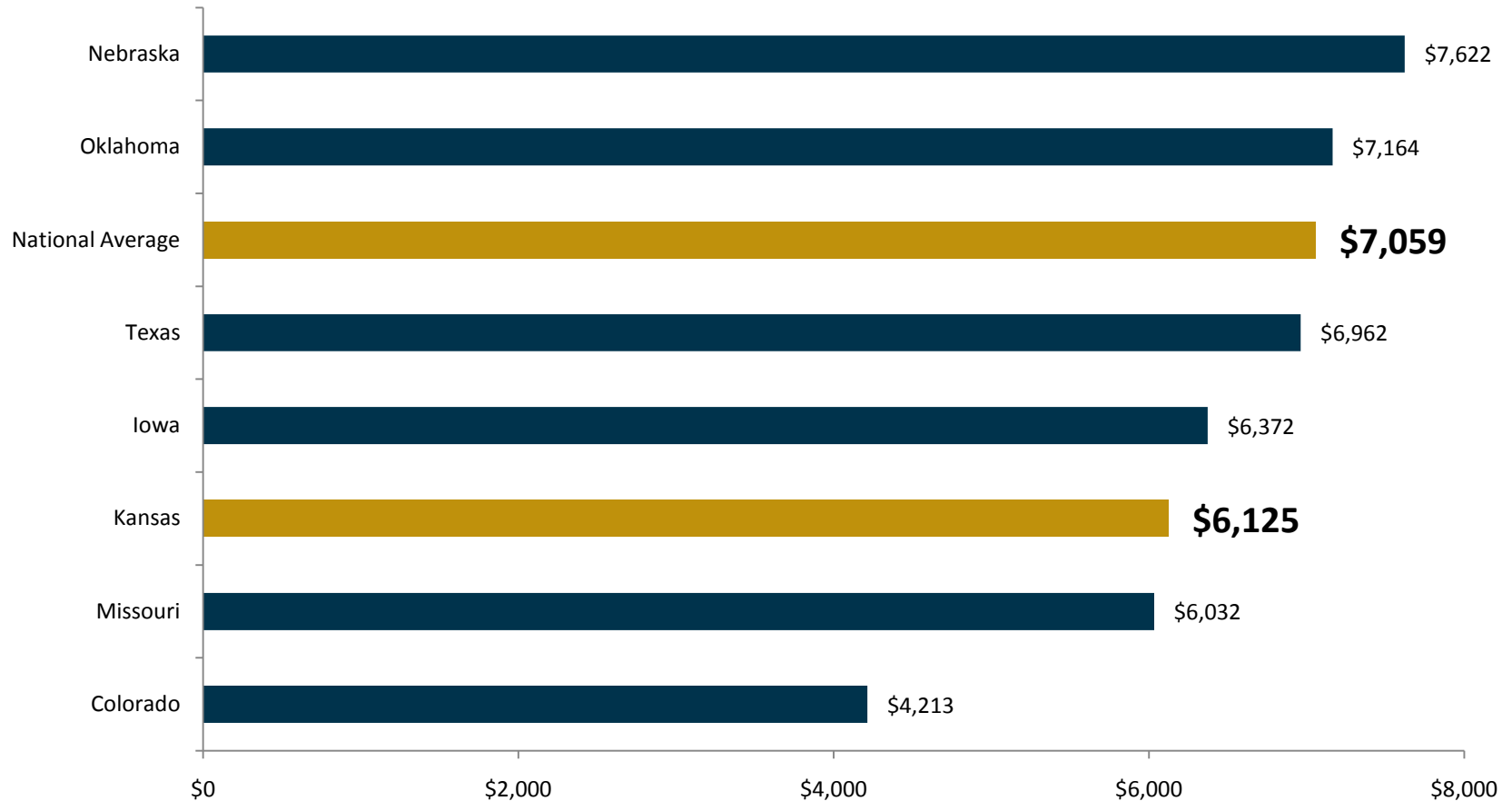


Funding for State Universities: State Funding, Tuition, Other Funding Sources (1982-2009)





How Kansas Compares To The Region – State & Local Public Higher Education Support per FTE Student (FY08):



*Systemwide



THE ISSUE:

- ★ Access to high-speed broadband Internet is a requirement for doing business in today's world. High-speed broadband brings services into smaller, rural areas and allows rural communities and businesses to compete in the global marketplace.
- ★ Kan-ed, a program administered by the Board of Regents, connects almost 500 Kansas hospitals, libraries, higher education institutions, and K-12 schools with high-speed bandwidth.
- ★ Kan-ed brings members together through Interactive Distance Learning and the exchange of data. Members have access to shared databases, video-conferencing, telemedicine, and to content that is otherwise unavailable or available at prohibitive costs.

THE PLAN:

- ★ Maintain the same level of funding (\$10 million annually) for Kan-ed through the Kansas Universal Service Fund (funding has remained the same since 2003).



Increase Student Financial Aid



THE ISSUE: LESS STATE FUNDING = HIGHER TUITION COSTS

- ★ Over the past 25 years, State University tuition and fee rates have risen steadily to offset state funding reductions. At the same time, the State's need-based financial aid program (Kansas Comprehensive Grant) has seen only slight increases.
- ★ Students now contribute more to the State University operating budgets than the State does.
- ★ Kansas ranks last in the Big 12 and #36 in the nation in per capita need-based financial aid per student.



Student Debt

- ★ In 2008, 62% (3 out of every 5) of graduates from public universities had student loans, and the average student debt was \$20,200 – 20% higher than in 2004, when the average was \$16,850 (www.projectonstudentdebt.org).
- ★ In Kansas, 55% of graduates from public universities have student debt (www.projectonstudentdebt.org).
- ★ In the United States, total student loan debt (\$850 billion) now exceeds total credit card debt (\$828 billion) (*USA Today 9-10-10*).

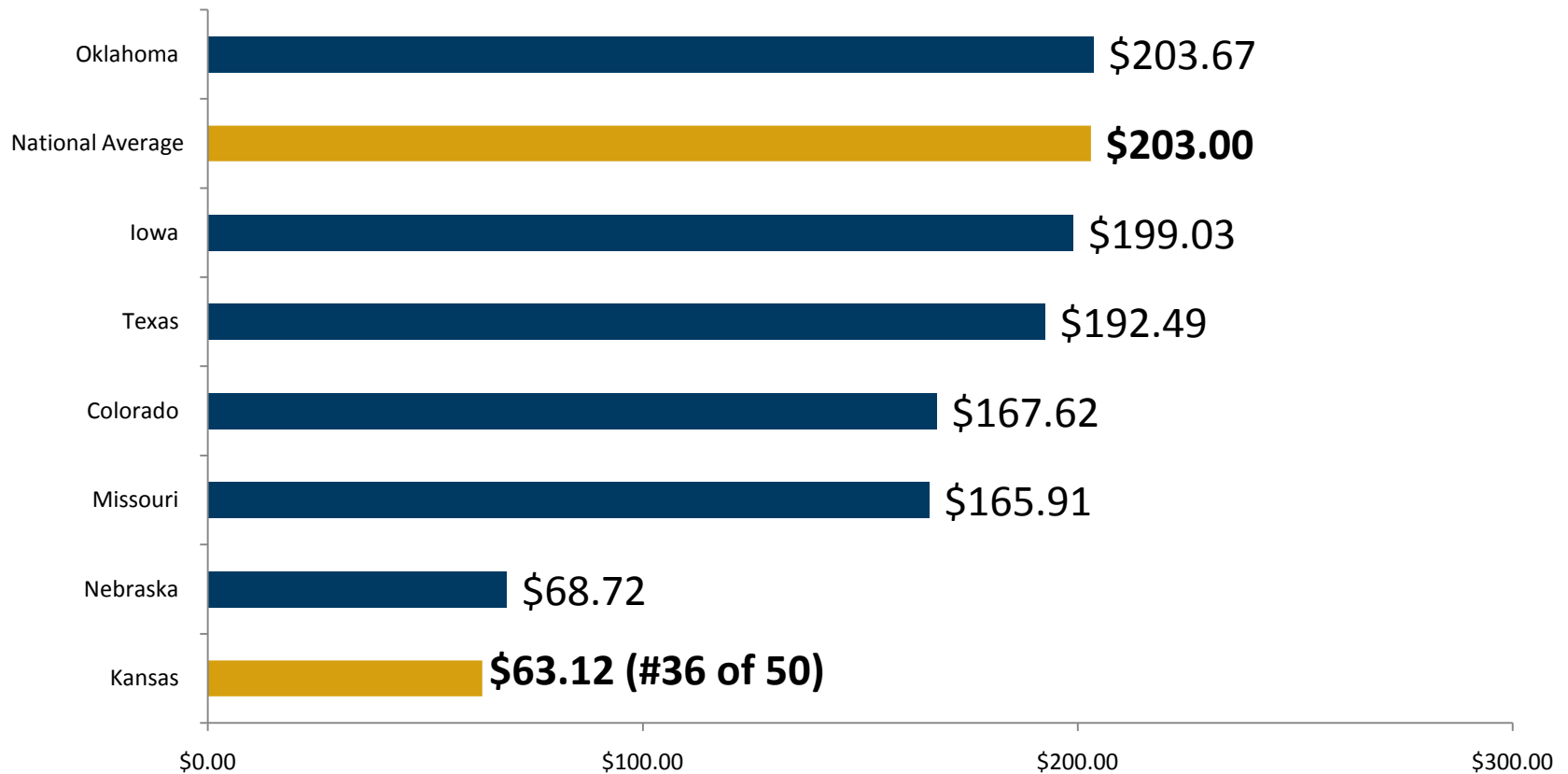


Average Debt of Graduates

KU	\$23,227
K-State	\$20,704
Emporia State	\$20,226
Pittsburg State	\$19,558
Wichita State	\$18,950
Fort Hays State	\$18,310
Combined Average	\$20,163



Per Capita State Need-Based Financial Aid Contributions per Student (2008-2009):



*Chart includes Big 12 States and national average.

**Per capita based on population aged 18-24, represents aid to all institutions within a state, both public and private.



Support for Deferred Maintenance



The Issue: Deferred Maintenance Needs To Be Addressed

- ★ State universities are stewards for:
 - 818 state-owned buildings which encompass 30 million square feet and represent two-thirds of the state's buildings
 - At least 75% of the buildings are 30 years or older
 - 26,214 acres of land
 - Replacement value of \$7.3 billion
- ★ Deferred maintenance is estimated to be nearly \$900 million.
- ★ Funds needed for annual maintenance is estimated to be approximately \$90 million.

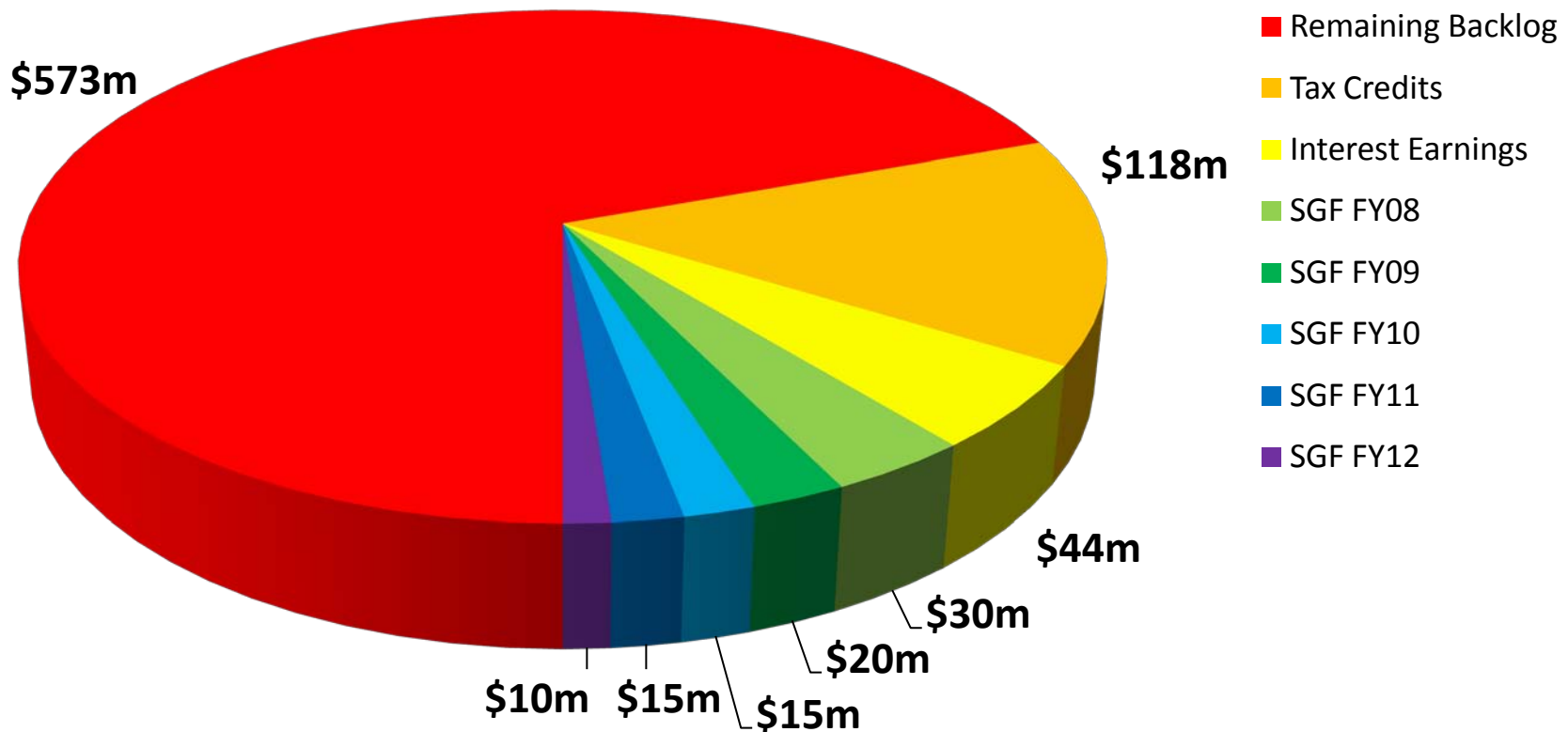


Deferred Maintenance

- ★ In 2007, the Legislature approved a 5-year comprehensive deferred building maintenance plan to help address the State University maintenance backlog estimated at that time to be \$825 million and the maintenance backlog at WU and the Community and Technical Colleges estimated at that time to be \$172 million.



If Fully-Funded, the Legislature's 5-Year Plan Would Have Addressed 31% of the State University Maintenance Backlog





Deferred Maintenance

- ★ To help balance the State's budget, the Legislature removed \$1.3 million SGF from Year 3 (FY10) and \$15 million SGF from Year 4 (FY11) of the State University deferred maintenance appropriation.
- ★ In addition, the Legislature removed all funding for Year 3 (FY10) and Year 4 (FY11) of the Postsecondary Educational Institution Long-Term Infrastructure Maintenance Program (PEI) no-interest loan program that is utilized by WU and the Community and Technical Colleges.
- ★ However, \$90 million was received for use on deferred maintenance and tuition mitigation from federal ARRA funds.



Deferred Maintenance

★ State University Summary:

Anticipated in 2007 (in millions)		Actual (To Date)
Tax Credits	\$118	\$ 1.3
Interest Earnings	\$ 44	\$ 32.7
SGF Through FY11	\$ 80	\$ 63.7
Federal Stimulus	<u>\$ 0</u>	<u>\$ 45.8</u>
Total	\$242	\$143.5

★ Coordinated Institutions:

Tax Credits	\$ 40.5	\$ 3.2
PEI	\$100.0	\$40.0
Federal Stimulus	<u>\$ 0.0</u>	<u>\$17.7</u>
Total	\$140.5	\$60.9



State University Progress

- ★ 96 maintenance projects have been approved by the Joint Committee on State Building Construction, 79 have been initiated, and 42 have been completed.
- ★ Projects include utility tunnel improvements, boiler replacement, waterline improvements, electrical switchgear replacements, ADA improvements, life-safety improvements, and the re-roofing of facilities, among others.



PEI Loan Progress

★ 17 of the 25 eligible coordinated institutions have utilized the no-interest loan program:

- ★ Barton Community College
- ★ Butler Community College
- ★ Cloud County Community College
- ★ Coffeyville Community College
- ★ Dodge City Community College
- ★ Garden City Community College
- ★ Highland Community College
- ★ Hutchinson Community College
- ★ Independence Community College
- ★ Johnson County Community College
- ★ Kansas City Kansas Community College
- ★ Labette County Community College
- ★ Manhattan Area Technical College
- ★ Northwest Kansas Technical College
- ★ Pratt Community College
- ★ Seward County Community College
- ★ Washburn University



Implement New Tiered Technical Education Funding Approach



The Issue: Technical Education Funding Legislative Charge (K.S.A.72-4482)

- ★ “(11) (A) develop and recommend to the state board of regents a credit hour funding distribution formula for postsecondary technical training programs that
 - (i) is tiered to recognize and support cost differentials in providing high-demand, high-tech training,
 - (ii) takes into consideration target industries critical to the Kansas economy,
 - (iii) is responsive to program growth and
 - (iv) includes other factors and considerations as deemed necessary or advisable; and
- ★ (B) establish and recommend to the state board of regents the rates to be used in such funding distribution formula.”



New Approach

- ★ Fund technical education courses “the same” regardless of which institution delivers the course.
- ★ Base the model on data.
- ★ Provide long-term system incentives for increased production of a high-wage workforce.
- ★ Encourage program growth.
- ★ Programs are divided into 6 tier rates and tier rates are based on program costs.
- ★ Allows for strategic investments at the course level.



FY 2012 Request

- ★ **Continued Support for the Higher Education System**
 - The Board requests an inflationary increase based on the 3-year rolling average of the Higher Education Price Index (HEPI) which is 2.73% and would cost \$20.5 million SGF.
- ★ **Student Financial Aid**
 - The Board requests the state sales tax currently being generated on the state university campuses (approx. \$6 million) be transferred to the Board for the creation of a need-based state university financial aid grant program for low to moderate income Kansans (full-time resident undergraduate state university students who possess the greatest unmet financial need, as determined by their FAFSA).
- ★ **Deferred Maintenance**
 - The Board requests \$15 million SGF to restore the state universities' Year 4 (FY11) funding, and requests \$750,000 SGF to restore Year 4 (FY11) of the PEI no-interest loan program that is utilized by WU and the community and technical colleges.
- ★ **Technical Education Funding**
 - The Board requests \$11.6 million SGF as the first phase of funding for the \$58 million needed to fully fund the new technical education approach. Cognizant of the state's budget challenges, this request, which would jumpstart the change to the new approach, represents only 20% of the total funding needed. The funding is in response to the Legislature's directive to develop a new tiered approach.



Higher Education Critical to State's Economic Success

- ★ Higher education is more important than ever before:
 - In 1955, “skilled” and “professional” jobs comprised 40% of the Kansas workforce. Today, that number is 88% (ACT, Inc.).
 - By 2018, over 1 million (64%) jobs in the Kansas economy will require some level of postsecondary education (Georgetown Univ.).
 - Over the next 10 years, Kansas will experience an increase of 99,000 jobs requiring some level of postsecondary education (Georgetown Univ.).
- ★ The Kansas economy can't succeed without an educated workforce:
 - Increasing the nation's average level of education by one year could increase economic growth by 6-15%, adding between \$600 billion and \$1.5 trillion to U.S. economic output (U.S. Dept. of Labor). The effect would be similar in Kansas.
 - Kansans with higher levels of education have higher labor participation rates and are better prepared to weather economic downturns. In 2008, 65% of Kansans with a high school or less were employed, compared to 89% employment for those with at least an associate's degree (KS Dept. of Labor).

KANSAS BOARD OF REGENTS



The mission of the Kansas Board of Regents is to pursue measurable continuous improvement in the quality and effectiveness of the public postsecondary educational system in Kansas, while expanding participation for all qualified Kansans. To achieve this mission, the Board will demand accountability, focus resources, and advocate powerfully.