

MINUTES OF THE HOUSE EDUCATION BUDGET COMMITTEE

The meeting was called to order by Chairman Joe McLeland at 1:30 P.M. on March 13, 2007 in Room 514-S of the Capitol.

All members were present except:

Bob Grant- excused

Committee staff present:

Audrey Dunkel, Kansas Legislative Research  
Michele Alishahi, Kansas Legislative Research  
Theresa Kiernan, Office of Revisor of Statutes  
Dee Heideman, Committee Assistant

Conferees appearing before the committee:

Ray Merrick, House Majority Leader  
Diane Duffy, Vice President Finance, Kansas Board of Regents

Others attending:

See attached list.

Hearing on **HB 2533** Colleges and universities; non-resident tuition.

The Chair opened the hearing on **HB 2533** and asked Theresa Kiernan to give an overview of the bill.

Ray Merrick a proponent to this bill stated that Kansans are upside down on the cost of higher education. He stated this is bad policy that encourages our students to look elsewhere for education while providing a \$3000 discount for students from outside Kansas. Our students should not be expected to subsidize out of state students' tuition, or the backlog of deferred maintenance (Attachment #1).

As an opponent, Diane Duffy, testified the approach presented in this bill would significantly hamper the Board's ability to set tuition appropriate to the missions and programs of the state universities. Her testimony contained a table that showed the smaller state universities would suffer the impact of **HB 2533** the most. (Attachment #2).

The hearing on **HB 2533** was closed by the Chair.

The Chair asked for a motion on **HB 2175** - School districts; centrally-maintained accounting and reporting system. Representative Gordon made a motion to amend the effective date of implementation of **HB 2175**. It was seconded by Representative O'Neal. The motion carried on a voice vote.

Another motion was made by Representative Gordon and seconded by Representative O'Neal to pass **HB 2175** favorable as amended for passage. The motion was voted on by the committee and the motion carried.

The meeting was adjourned by the chair at 2:55 PM.

The next meeting of the House Education Budget Committee is scheduled for Monday, March 19, 2007 in Room 514-S.





Ray Merrick  
House Majority Leader

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Budgetary information from the Kansas Board of Regents shows disparity between Kansas' flagship universities' tuition in relation to their peer institutions. Kansans are paying a premium for education at state universities and should not pay another penny toward increasing tuition rates. There is a real problem with the way the Kansas Board of Regents has built their budgets and paid for expenses. Crumbling classrooms need attention but Kansas families have paid enough.

Research shows a vast disparity in tuition rates between resident and non-resident students and between Kansas universities and peer institutions. Information provided by the Kansas Board of Regents and the *Chronicle of Higher Education* indicates that non-residents pay an average of \$3000 less per year to attend Kansas Regent schools than they would at peer institutions across the country.

KU and K-State students are paying between 11-15% more in tuition than students at peer institutions. In addition, non-resident students are paying an average of 20% less to come to Kansas schools than Kansan students pay when they go elsewhere.

Kansans are upside down on the cost of higher education. This is bad policy that encourages our students to look elsewhere for an education while providing a \$3000 discount for students from outside of Kansas.

Raising non-resident tuition rates to the national average would produce a \$33.5 million dollar a year revenue stream. This adjustment would provide annual revenue for deferred maintenance expenses and protect Kansas students from tuition increases proposed under that pretext.

The Kansas Board of Regents estimates the current backlog of deferred maintenance expenses between \$500 - \$700 million dollars. I began to study tuition rates over a year ago and saw the connection between disparity and deferred maintenance needs.

The numbers show that Kansas Regents need to be better stewards of Kansas' education dollars. Our students should not be expected to subsidize out of state students' tuition, or the backlog of deferred maintenance. Disparity dollars should be addressed in our comprehensive package for deferred maintenance. Please look over the tables I have provided and consider the opportunity to rectify the tuition disparity and our crumbling classrooms. The numbers speak for themselves.

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	AY 2006-2007 Non-Resident Undergraduate Tuition and Fees for a Full Year at 30 Credit Hours Per Academic Year	Annual Difference From Peer Average Per FTE Student	Fall 2006 Non-Resident FTE Students	Additional Revenue From Increase (Annual Difference x Number of Students for Fall 2006)
<b>University of Kansas</b>	\$15,514	\$2,121	4,894	\$10,380,092
<i>Peers:</i>				
University of Colorado - Boulder	23,539	*		
University of Iowa	18,159	*		
University of North Carolina - Charlotte	14,311	*		
University of Oklahoma	13,399	*		
University of Oregon	18,768	*		
<b>Peer Average</b>	<b>\$17,635</b>			
<b>Kansas State University</b>	\$15,123	\$1,019	2,322	\$2,367,018
<i>Peers:</i>				
Colorado State University	16,245	*		
Iowa State University	16,354	*		
North Carolina State University	16,982	*		
Oklahoma State University	13,569	*		
Oregon State University	17,559	*		
<b>Peer Average</b>	<b>\$16,142</b>			
<b>Wichita State University</b>	\$11,863	\$4,305	769	\$3,309,561
<i>Peers:</i>				
University of Akron (Ohio)	17,632	*		
University of Nevada - Las Vegas	13,643	*		
Portland State University (Oregon)	17,436	*		
Oakland University (Michigan)	15,473	*		
Old Dominion University (Virginia)	16,658	*		
<b>Peer Average</b>	<b>\$16,168</b>			
<b>Emporia State University</b>	\$10,938	\$1,427	449	\$640,971
<b>Fort Hays State University</b>	10,038	2,327	1,692	\$3,936,607
<b>Pittsburg State University</b>	11,120	1,245	1,341	\$1,669,382
<i>Peers:</i>				
Western Carolina State University	13,528	*		
Northwest Missouri State University	10,290	*		
Salisbury State University	14,306	*		
Northern Michigan University	10,077	*		
Eastern Washington University	13,622	*		
<b>Peer Average</b>	<b>\$12,365</b>			
<b>Total Additional Annual Revenue from Move to Peer Average</b>				<b>\$22,303,632</b>

Note: All data provided by the Kansas Board of Regents unless otherwise noted.

1. Source: The Chronicle of Higher Education

**Non-Resident Graduate Tuition Only Comparison with Surrounding States**

	AY 2007 Graduate Tuition Rate (Assumes 9 Credit Hours Per Semester)	Difference from Kansas Average	Difference From Surrounding State's Average	Fall 2006 Non- Resident Graduate FTE	Potential Additional Revenue Assuming an Increase to the Surrounding State's Average
<b>Research Institutions</b>					
<b>Kansas</b>					
Kansas State University	13,692		1,360	1339.3	1,820,961
University of Kansas Main Campus	13,020		2,032	2152.2	4,372,488
Wichita State University	9,447		5,605	802.3	4,496,600
<b>Kansas Research Average</b>	<b>12,053</b>				<b>\$10,690,049</b>
<b>Colorado</b>					
Colorado State University	15,642				
University of Colorado at Boulder	21,726				
<b>Colorado Average</b>	<b>18,684</b>	<b>6,631</b>			
<b>Iowa</b>					
Iowa State University	16,350				
University of Iowa	17,360				
<b>Iowa Average</b>	<b>16,855</b>	<b>4,802</b>			
<b>Missouri</b>					
University of Missouri-Columbia	14,274				
University of Missouri - Kansas City	12,847				
University of Missouri - Rolla	12,847				
University of Missouri - St. Louis	17,129				
<b>Missouri Average</b>	<b>14,274</b>	<b>2,221</b>			
<b>Nebraska</b>					
University of Nebraska - Lincoln	13,674	<b>1,621</b>			
<b>Oklahoma</b>					
Oklahoma State University	12,372				
University of Oklahoma	11,347				
<b>Oklahoma Average</b>	<b>11,860</b>	<b>(194)</b>			
<b>Surrounding States Average</b>	<b>15,052</b>	<b>2,999</b>			
<b>Regional Institutions</b>					
<b>Kansas</b>					
Emporia State University	10,398		(1,558)	348.9	

Fort Hays State University	6,574	2,266	255	577,841
Pittsburg State University	9,792	(952)	351.8	
<b>Kansas Regional Average</b>	<b>8,921</b>			<b>\$577,841</b>

<b>Colorado</b>				
Adams State College	8,316			
Mesa State College	8,640			
University of Colorado at Colorado Springs	16,800			
University of Colorado at Denver and Health Sciences Center	16,850			
University of Northern Colorado	14,832			
<b>Colorado Average</b>	<b>13,088</b>	4,167		

<b>Iowa</b>				
University of Northern Iowa	14,074	5,153		

<b>Missouri</b>				
Lincoln University	6,300			
Missouri State University	9,552			
Northwest Missouri State University	8,904			
Southeast Missouri State University	8,570			
Truman State University	11,035			
<b>Missouri Average</b>	<b>8,872</b>	(49)		

<b>Nebraska</b>				
Chadron State College	4,671			
Peru State College	6,228			
University of Nebraska at Kearney	7,968			
University of Nebraska at Omaha	11,484			
Wayne State College	4,671			
<b>Nebraska Average</b>	<b>7,004</b>	(1,917)		

<b>Oklahoma</b>				
Cameron University	5,328			
East Central University	5,478			
Northeastern State University	7,608			
Northwestern Oklahoma State University	3,654			
Southeastern Oklahoma State University	6,740			
Southwestern Oklahoma State University	7,320			
University of Central Oklahoma	8,298			
<b>Oklahoma Average</b>	<b>6,347</b>	(2,574)		

<b>Surrounding States Average</b>	<b>8,840</b>	<b>(3,213)</b>		
<b>Total</b>				<b>\$11,267,890</b>

Source: Kansas Board of Regents

AY 2006-2007  
Resident  
Undergraduate  
Tuition and Fees for  
a Full Year at 30  
Credit Hours Per  
Academic Year

AY 2006-2007 Resident  
Undergraduate Tuition  
and Fees for a Full Year  
at 30 Credit Hours Per  
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Difference from:

Comparison of Regents Institutions In-State Tuition to Peers In-State Tuition

KU

University of Kansas \$6,153

Peer Institutions

University of Colorado - Boulder	\$5,643	(\$510)
University of Iowa	\$5,935	(\$218)
University of North Carolina - Charlotte	\$3,899	(\$2,254)
University of Oklahoma	\$5,110	(\$1,043)
University of Oregon	\$5,970	(\$183)

<b>Average</b>	<b>\$5,311</b>	84.1	15.84%
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Kansas State University \$5,779

Peer Institutions

KSU

Colorado State University	\$4,717	(\$1,062)
Iowa State University	\$5,860	\$81
North Carolina State University	\$4,784	(\$995)
Oklahoma State University	\$4,997	(\$782)
Oregon State University	\$5,643	(\$136)

<b>Average</b>	<b>\$5,200</b>	579	11.13%
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## House Education Budget Committee March 13, 2007

### *Opposing H.B. 2533*

#### **Diane Duffy, Vice-President, Finance & Administration**

Mr. Chairman and Members of the Committee, I am here on behalf of the Kansas Board of Regents to testify in opposition to H.B. 2533.

The bill would require the Board of Regents to set non-resident tuition and fees at state universities to be not less than the average amount of tuition and fees of non-resident students in all other states. In determining the average tuition and fees, the Board would be required to use tuition figures only from institutions that offer baccalaureate degrees or higher and would have to exclude tuitions that are reduced by other state statutes, agreements or compacts.

The approach presented in this bill would significantly hamper the Board's ability to set tuition appropriate to the missions and programs of the state universities. In addition, experience has shown that significant increases in non-resident tuition result in reduced non-resident enrollments. I want to provide a brief background about the Legislature's approach to budgeting for the state universities – the operating grant/tuition ownership model - and the Board's approach to setting tuition and fees for each state university, as well describing the negative consequences of H.B. 2533 in order to explain the Board's stance.

#### **Operating Grant/Tuition Ownership**

The 2001 Legislature approved a new approach for budgeting for the state universities called the operating grant/tuition ownership model. Under this approach, each state university receives an operating grant from the State, which is subject to the institution's achieving its goals under its performance agreement with the Board. Each state university retains ownership of and accountability for its tuition revenue, subject to the tuition and fees' setting that the Board is statutorily required to do.

At its May meeting, the Board receives a detailed presentation from each state university on its plans for tuition and required fee proposals for the coming academic year, including:

- Proposed tuition rates applicable to all students within designated categories i.e. undergraduate, graduate, resident, non-resident.
- Proposed fees (differential tuition rates) applicable to students enrolled in specific academic programs, i.e. law, engineering, medicine, etc.
- Any proposed changes to the university's tuition structure

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- A description of ways the students and other campus constituents were involved in the development process. Typically, a campus committee spends months analyzing data about the institution as well as the tuition structures and pricing of competitors and peers.
- Projected uses of increased tuition revenues
- Any changes in required fees, accompanied by the required financial impact statements

The tuition and fee setting process is a very public, open, and transparent process – both at the campus level and the Board level in Topeka. The process results in careful setting of a variety of levels of tuition and fees that depends on important factors that impact students, their access to higher education and programmatic needs.

A “one-size fits all” approach to tuition as proposed in this bill would not be appropriate in today’s world of differing missions, program offerings, geographic locations, competitive environments, level of state support and other considerations. The Board’s approach recognizes the unique characteristics and aspirations of each university in adopting individual tuition strategies that will enhance and improve each state university. Those unique considerations could be completely lost under HB 2533.

**Fiscal Impact of HB 2533**

Passage of HB 2533 would increase the tuition and fees currently charged to non-resident students at each of the state universities. According to a report, *Trends in College Pricing, 2006*, published by the College Board, the national average undergraduate non-resident tuition and fees at four-year public colleges for academic year 2006-2007 is \$15,783. The 2006-2007 undergraduate non-resident tuition and fees charged at state universities in Kansas range from \$10,038 at Fort Hays State University to \$15,514 at Kansas State University.

The table below displays the extent to which non-resident tuition and fees would increase at each campus.

University	2006-2007 UG Non-Resident Tuition & Fees	Difference from National Avg of \$15,783	Total non-resident tuition & fees under HB 2533	% change
ESU	\$10,938	\$4,845	\$15,783	44.3%
FHSU	10,038	5,745	15,783	57.2%
KSU	15,514	269	15,783	1.7%
KU	15,123	660	15,783	4.4%
PSU	11,120	4,663	15,783	41.9%
WSU	11,862	3,921	15,783	33.0%

The problem that would be created by HB 2533 arises from the fact that when the cost of non-resident tuition and fees is too high, students will choose not to attend Kansas universities. Data collected by the campuses has proven that each time there has been a significant increase in non-resident tuition and fees; enrollment of non-resident students has declined. As the table shows, the smaller state universities, WSU, FHSU, PSU and ESU, would suffer the impact of HB 2533

the most. Unfortunately, these are the campuses that can afford to lose non-resident student the least.

**Example of Impact of H.B. 2533 on PSU's Gorilla Advantage Program**

I've included an example from Pittsburg State University that describes the loss in revenue due to loss of enrollment should HB 2533 be enacted.

Discussions began in 1993 with the House of Representatives Appropriations and the Senate Ways and Means Committees regarding a contiguous county in-state tuition proposal for students to attend Pittsburg State University. The committees encouraged the university to present the proposal to the Board of Regents for approval. With authority granted in K.S.A. 76-719, the Board of Regents granted approval for what is now known as the "Gorilla Advantage Program". The program has undergone growth and change since its inception in 1996. The current program allows students coming from 14 counties in Missouri and 8 counties in Oklahoma to attend PSU at "in-state" tuition rates. An opposite effect in revenue will be realized due to loss of enrollment should HB 2533 be enacted. Furthermore, the latest Economic Impact Study showed that these students are worth \$9,300 a year in economic impact to the community. In addition to the tuition loss to the university, the community would also feel the effects of the economic dollars generated by these students no longer being spent in Kansas.

Mr. Chairman, thank you for the opportunity to testify. Again, I would urge the Committee to oppose H.B. 2533. I'll be pleased to answer any questions you may have.