



# **PERFORMANCE AUDIT REPORT**

## **Postsecondary Educational Institutions: Reviewing Tuition Rates Being Charged To Non-Resident Students in Kansas**

**A Report to the Legislative Post Audit Committee  
By the Legislative Division of Post Audit  
State of Kansas  
December 2006**

# ***Legislative Post Audit Committee***

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## ***Legislative Division of Post Audit***

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LEGISLATURE OF KANSAS

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December 8, 2006

To: Members, Legislative Post Audit Committee

Senator Les Donovan, Chair  
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This report contains the findings, conclusions, and recommendation from our completed performance audit, *Postsecondary Educational Institutions: Reviewing Tuition Rates Being Charged To Non-Resident Students in Kansas*.

The report includes one recommendation for ensuring that non-resident students receive tuition discounts only as intended by policy makers. We would be happy to discuss the findings presented in this report with any legislative committees, individual legislators, or other State officials. These findings are supported by a wealth of data, not all of which could be included in this report because of space considerations. These data may allow us to answer additional questions about the audit findings or to further clarify the issues raised in the report.

A handwritten signature in black ink, reading "Barbara J. Hinton". The signature is written in a cursive, flowing style.

Barbara J. Hinton  
Legislative Post Auditor

## Get the Big Picture

Read these Sections and Features:

1. **Executive Summary** - an overview of the questions we asked and the answers we found.
2. **Conclusion and Recommendations** - are referenced in the Executive Summary and appear in a box after each question in the report.
3. **Agency Response** - also referenced in the Executive Summary and is the last Appendix.

## Helpful Tools for Getting to the Detail

- In most cases, an “**At a Glance**” description of the agency or department appears within the first few pages of the main report.
- **Side Headings** point out key issues and findings.
- **Charts/Tables** may be found throughout the report, and help provide a picture of what we found.
- **Narrative text boxes** can highlight interesting information, or provide detailed examples of problems we found.
- **Appendices** may include additional supporting documentation, along with the audit **Scope Statement** and **Agency Response(s)**.

# EXECUTIVE SUMMARY

LEGISLATIVE DIVISION OF POST AUDIT

## Overview

**On average, tuition revenues fund about 20% of operating expenses at Kansas' public colleges and universities.** *The Kansas Board of Regents approves tuition rates for State universities; the Washburn board of regents and the boards of trustees for community colleges are responsible for setting and approving tuition rates for those schools. Non-resident students generally are charged a higher tuition rate than in-State students. State universities tend to have the largest tuition differences – their non-resident tuition rates are 2 to 3 times higher than their resident tuition rates. In Fall 2005, about 16% of students at public universities and community colleges were non-resident students. More than three fourths-of these students attend State universities.*

### **Question 1: To What Extent and Why Are Non-Resident University And College Students Paying Reduced Rates, and What Is the Fiscal Impact?**

**Schools can reduce tuition rates for non-resident students by law and by policy.** *Certain groups of non-resident students are specifically mentioned in State laws regarding tuition reduction, such as members of the military and employees of the school. State law also gives boards of regents and the boards of trustees broad general authority to approve tuition rates at the schools they oversee. Under this authority, some schools have policies allowing discounts to non-residents from bordering states or counties, or for certain types of classes, such as those offered on-line. Finally, State law allows non-resident students to qualify for resident rates after living in Kansas for 6 months (community college students) or a year (university students) if certain conditions are met.* ..... page 5

**At least 46% of non-resident students paid a reduced tuition rate in Fall 2005; those reductions totaled \$26 million.** *Of the nearly 27,000 non-resident students enrolled at public colleges and universities in Fall 2005, more than 12,000 got some sort of rate reduction. Most of the tuition-rate reductions occurred at State universities; they accounted for 86% of the non-resident students receiving a tuition reduction, and 95% of the tuition discounted. Individual student tuition-rate reductions in Fall 2005 ranged from \$13 at a community college to more than \$10,000 for a graduate program student.* ..... page 6

**Specific tuition-rate reductions authorized by the Legislature accounted for 40% of the students and more than half the amount by which tuition was reduced.** *Nearly all the remaining students qualified for a rate reduction under institutional policies approved by their oversight* ..... page 8

boards. Three types of tuition reductions account for most of the students and money associated with non-resident tuition-rate reductions:

- employees of the institutions and their dependents
- students enrolled in off-campus or online classes
- students from counties or states bordering Kansas

We identified a limited number of non-resident students whose tuition-rate reductions seemed questionable to us, or were clearly in error.

**Tuition paid by non-resident students more than covers the cost per credit hour at universities, but not at community colleges.** ..... page 11  
*Cost per credit hour is an estimate of teaching costs. It averages about \$260 at State universities, and about \$200 at community colleges. In aggregate, tuition revenues received from all non-resident students (regardless of whether they paid full or reduced rates) more than covered the cost per credit hour at State universities. This wasn't true at community colleges, where non-resident rates are far lower than the cost per credit hour to begin with.*

**Question 1 Conclusion** .....page 12

**Question 1 Recommendation** .....page 12

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## **Question 2: To What Extent Is Tuition for Kansas' University Students Offset by Government-Sponsored Education Grants And Tax Benefits?**

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*This question covers only Regents' universities and Washburn University.*

**Beginning in the late 1990s, the federal government took several actions to reduce the tuition burden on families.** ..... page 13  
*The Taxpayer Relief Act of 1997 created two new education tax credits that went into effect in 1998. In addition, in 2001 Congress approved a tax deduction for higher education expenses. In 2004, a USA Today newspaper article reported that these tax breaks—together with student aid—more than offset tuition increases. Legislators questioned whether this was true for Kansas.*

**Average out-of-pocket tuition costs decreased in Kansas after the 1998 tax benefits took effect, but have risen rapidly since 2002.** ..... page 14  
*The initial decline was similar to the national pattern, but out-of-pocket costs have subsequently been rising for three reasons:*

- *tuition rates have increased markedly for university students in Kansas since 2002*
- *student financial aid has increased gradually since 1998, but hasn't kept pace with the rise in tuition rates*
- *estimated tax benefits spiked in 1999 after the enactment of two new credits, but have been tapering off ever since.*

*Figure 2-2 on page 15 shows these results.*

<b>APPENDIX A:</b> <i>Scope Statement</i>	..... page 17
<b>APPENDIX B:</b> <i>Number of Out-of-State Students Who Received Tuition Waivers And Discounts in Fall 2005</i>	..... page 19
<b>APPENDIX C:</b> <i>Published Tuition Rates in Fall 2005</i>	..... page 20
<b>APPENDIX D:</b> <i>Tuition Waivers and Discounts in Fall 2005 As Reported by Schools</i>	..... page 21
<b>APPENDIX E:</b> <i>Agency Response</i>	..... page 22

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# **Postsecondary Educational Institutions: Reviewing Tuition Rates Being Charged To Non-Resident Students in Kansas**

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State law makes the Board of Regents responsible for approving tuition, fees, and charges at the six State universities. Washburn University and the 19 community colleges each have their own local boards of regents or trustees who have statutory authority to establish tuition rates. Non-resident students generally are charged a higher tuition rate than in-State students. State law defines residency for tuition and fee purposes, but also identifies specific groups of non-residents who can, or shall, be exempted from paying non-resident tuition rates (for example, employees of a university or community college and people in the military).

Recently, legislators have questioned the extent to which non-resident students are paying reduced tuition rates, as well as the fiscal impact of those exemptions. In addition, in response to several *USA Today* articles in 2004—which reported that increasing tuition costs have been more than offset in recent years by a compensatory increase in grants and tax breaks—questions have been raised about the extent to which tuition for Kansas’ university students is offset by such financial assistance.

This performance audit addressed the following questions:

- 1. To what extent and why are non-resident university and college students paying less than non-resident tuition rates, and do they qualify under State laws, regulations, and guidelines?**
- 2. What’s the fiscal impact of allowing non-resident students to attend postsecondary educational institutions at reduced tuition rates?**
- 3. To what extent is tuition for Kansas’ university students offset by government-sponsored education grants and tax benefits?**

To answer these questions, we collected information from each of the 6 State universities, the 19 community colleges, and Washburn University about out-of-State or non-resident students enrolled in Fall 2005. For all of their non-resident students, we asked them to provide the number of credit hours each student took, what the tuition charge

would have been if assessed at the non-resident rate, the actual tuition charged before scholarships and grants, any difference, and the reason why. We also obtained each school's cost per credit hour, published tuition rates, amount of scholarships and grants, tuition receipts, and enrollment figures. This audit focused on tuition rates and tuition revenues. Many schools also charge fees in addition to tuition, but we didn't analyze fees in our work.

We reviewed State laws and regulations to identify the types of tuition rate discounts allowed by law, and surveyed schools about the types of tuition-rate discounts they provide, such as military discount or discounts with other states on a reciprocal basis. For a small sample of non-resident students, we verified that the student qualified for a tuition-rate discount, and reviewed the policy allowing the discount. Finally, we analyzed trends in educational tax deductions and credits on a national basis, as well as trends in scholarship allowances, tuition receipts, and the like for the State universities.

A copy of the scope statement for this audit approved by the Legislative Post Audit Committee is included in *Appendix A*. For reporting purposes, we collapsed the first two questions into one.

In conducting this audit, we followed all applicable auditing standards set forth by the U.S. Government Accountability Office except that, because of time constraints, we did only limited testing of the data each school reported to us. We tested a small sample of students to ensure they qualified for any reported tuition-rate discount. We also analyzed the data and matched reported tuition rates to the rates published by each school.

Although we detected some inaccuracies in the data the schools provided, those inaccuracies were too small to affect our findings and conclusions. However, because these data are self-reported, we can't be sure that schools reported all their non-resident students. Thus, when we report the number of students and fiscal impact we use the term "as least as many/much as X," and the reader should be aware that the numbers used in this audit are not absolute.

Our findings begin on page 5 after a brief overview.

This report contains information about the six Regent's universities, 19 community colleges, and Washburn University. Unless otherwise noted, we used the term "schools" when referring to these institutions as a group.

***On Average,  
Tuition Funds About  
20% of Operating  
Expenses at Kansas'  
Public Colleges and  
Universities***

Postsecondary schools fund their basic operating costs from a number of sources, including State funds, local taxes and mill levies, tuition, student fees, grants, and federal funds. As **Figure OV-1** shows, the level of support each source provides varies greatly by type of school. For example, tuition provided a little more than 20% of the funding for operational expenses at State universities and community colleges, but nearly half the operational expenses at Washburn University.

<b>Figure OV-1 Funding Sources for Operating Expenses Kansas Public Colleges and Universities 2004-2005</b>			
	State Universities	Community Colleges	Washburn University
State Funds	31%	22%	17%
Tuition	22%	21%	48%
Local Funds	0%	47%	27%
Federal / Fees / Grants / Other	47%	10%	8%
Source: Unaudited data from the Kansas Board of Regents and Washburn University			

**The Kansas Board of Regents approves tuition rates for State universities; the Washburn board of regents and the boards of trustees for the community colleges are responsible for setting and approving tuition rates.** Before 2002, universities developed a budget of total expenditures, estimated how much tuition they would generate, and received funding from the State for the balance of the approved budget. If the university generated more tuition than estimated, then an amount equal to the

excess was deducted from the State money it received. As a result of Legislative changes in 2001, the universities are now funded on a block grant system. The universities are allowed to set their own tuition rates (with approval by the Board) and keep all the tuition money they generate. More information about tuition rates can be found in Question 2. Community colleges and Washburn University also set their own tuition rates, with approval from their oversight boards.

**Tuition rates typically are higher for students who are not Kansas residents.** Most schools have established non-resident tuition rates that are higher than the rates for Kansas residents. However, 5 community colleges have established the same rate for both resident and non-resident students. **Figure OV-2** on the next page shows the published undergraduate tuition rates for all schools (graduate tuition rates follow the same patterns, and are shown in **Appendix C**).

**Figure OV-2**  
**Tuition Rates Per Credit Hour,**  
**Resident and Non-Resident Undergraduate Students**  
**Fall 2005**

Universities				Community Colleges							
	Resident	Non-Res	% higher		Resident	Non-Res	% higher		Resident	Non-Res	% higher
KU	\$161	\$443	175%	Dodge	\$35	\$35	0%	Colby	\$43	\$82	91%
KSU	\$152	\$463	205%	Neosho	\$37	\$37	0%	Johnson Co	\$65	\$131	102%
WSU	\$114	\$363	217%	Allen	\$38	\$38	0%	Cowley	\$47	\$99	111%
PSU	\$95	\$324	242%	Independence	\$38	\$38	0%	Highland	\$45	\$95	111%
FHSU	\$79	\$296	277%	Pratt	\$40	\$40	0%	Cloud	\$52	\$119	129%
ESU	\$88	\$333	279%	Barton	\$47	\$68	45%	Labette	\$41	\$95	132%
				Seward	\$40	\$63	58%	Ft Scott	\$36	\$92	156%
WU	\$164	\$371	126%	Garden City	\$39	\$65	67%	Coffeyville	\$25	\$65	160%
				Hutchinson	\$50	\$88	76%	Kansas City	\$49	\$147	200%
<b>avg</b>	<b>\$122</b>	<b>\$370</b>	<b>217%</b>	Butler	\$55	\$99	80%	<b>avg</b>	<b>\$43</b>	<b>\$79</b>	<b>80%</b>

Source: Schools' published tuition rates

As the figure shows, State universities tend to have the largest tuition differences—their non-resident tuition rates are 2 to 3 times higher than their resident tuition rates. By contrast, the non-resident tuition rates at most community colleges are less than double their resident rates.

***In Fall 2005,  
About 16% of  
Students at Public  
Universities and  
Community Colleges  
Were Non-Residents***

We asked each school to provide information about every non-resident student enrolled in Fall 2005. Non-resident students include students who come from another state, as well as students who live in Kansas but who aren't considered to be residents for fee purposes. For tuition and fee purposes, a resident is a person whose present and fixed place of habitation is in Kansas and to which location the person has the intention of returning whenever he or she is absent. For State universities, a person shall not be considered a resident unless that person is in continuous physical residence, except for brief temporary absences, and the person intends to make Kansas a permanent home, not only while in attendance at a State university, but indefinitely thereafter. A person who comes to Kansas to attend a State university and is continuously enrolled for a full academic program shall be presumed not to be a resident but to be in Kansas for educational purposes only.

**Figure OV-3**  
**Headcount Enrollment And % Non-Resident**  
**Fall 2005**

	Total Enrollment	# Non-Resident	% Non-Resident
State Universities	86,127	20,478	23.7%
Community Colleges	71,549	6,016	8.4%
Washburn	7,261	412	5.7%
<b>Total</b>	<b>164,937</b>	<b>26,906</b>	<b>16.3%</b>

Source: Non-resident data self-reported by each school; total enrollment from the Board of Regents' enrollment data.

In all, schools reported having about 27,000 non-resident students. As **Figure OV-3** shows, more than three-fourths of these students attend State universities.

These figures include both undergraduate- and graduate-level students (including law schools). They exclude students enrolled at the University of Kansas Medical Center.

## Question 1: To What Extent and Why Are Non-Resident University and College Students Paying Reduced Rates, and What Is the Fiscal Impact?

**ANSWER IN BRIEF:** *State law specifically authorizes tuition reductions for some non-resident students, and allows schools to enact other reductions. In Fall 2005, at least 46% of the nearly 27,000 non-resident students at Kansas' public colleges and universities received some type of waiver or discount, which resulted in tuition reductions of nearly \$26 million. Specific statutory authorizations accounted for 40% of the non-resident students whose tuition was reduced, and for 56% of the money. Even with the reductions, tuition paid by non-resident students at State universities more than covered the cost of teaching those students. This wasn't true at community colleges, where non-resident tuition rates are far lower than the cost per credit hour. These and other findings are discussed in the sections that follow.*

### ***Schools Can Reduce Tuition Rates for Non-Resident Students By Law and by Policy***

Certain groups of non-resident students are specifically mentioned in State laws regarding tuition reduction. In fact, State law mandates that two groups of non-resident students pay only resident tuition rates: certain categories of military members, and students from Haskell Indian Nations University.

In addition, the law identifies many other groups of non-resident students for whom schools are authorized to reduce tuition rates, such as employees of the school, students participating in reciprocal agreements, and certain Kansas high school graduates.

State law also gives the Board of Regents, the Washburn board of regents, and the boards of trustees at community colleges broad general authority to approve tuition rates at the schools they oversee. This general rate setting authority allows schools to expand the categories of non-resident students who receive a discount. For example:

- some schools reduce rates for students from certain counties in bordering states, or students who were victims of Hurricane Katrina
- some schools charge a single rate for certain types of courses or programs—such as on-line classes—regardless of a student's residency
- as mentioned in the Overview, five community colleges charge all students the same whether or not the students are Kansas residents, which in effect gives all non-resident students a discount to the resident tuition rate.

Finally, State law allows non-resident students to qualify for resident rates after living in Kansas for 6 months (community college

students) or a year (university students). To qualify for the resident tuition rate, however, students have to demonstrate an intent to reside in the State. Schools look at such behaviors as being employed in Kansas, paying Kansas income tax, continuously residing in Kansas even when school is not in session, and the like, when they determine whether a student should be considered a resident. The presumption for universities is that students who come to Kansas and are enrolled full-time are only in Kansas for school. This presumption does not exist for community college students, and the time attending school counts toward the 6-month requirement.

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***At Least 46% of  
Non-Resident Students  
Paid a Reduced  
Tuition Rate in  
Fall 2005;  
Those Reductions  
Totaled \$26 Million***

We obtained information from the State's public colleges and universities about all their non-resident students (both undergraduate and graduate). This information included the number of credit hours attempted, what the tuition charge would have been if assessed at the non-resident rate, the actual tuition charged before scholarships and grants, any difference, and the reason for the difference.

**Of the nearly 27,000 non-resident students enrolled at public colleges and universities in Fall 2005, more than 12,000 got some sort of rate reduction.** We were able to verify that about 46% of non-resident students received some sort of discount or waiver from the full non-resident tuition rate. The schools reported that the remaining 54% paid the full non-resident rate. We could verify the information provided for most of those students, but for about 13% of the total, the information provided wasn't sufficiently detailed to allow us to verify the data provided.

**Most of the tuition-rate reductions occurred at State universities.** This isn't surprising, because more than three-fourths of all non-resident students at public postsecondary institutions in Kansas attend a State university. As shown in **Figure 1-1** on the next page, universities not only had 86% of the non-resident students receiving tuition reductions, they also accounted for 95% of the tuition discounted.

**Appendix B** has information on a school-by-school basis about the number of non-resident students who received tuition-rate reductions, and the amounts they received. (**Appendix C** includes information about resident and non-resident tuition rates for all schools.)

Several school officials contacted us to point out the economic benefits of having more students, even if those students don't pay full tuition. The box to the right describes some of the benefits they cited. Assessing those benefits was not within the scope of this audit.



**Figure 1-1  
Tuition-Rate Reductions for Non-Resident Students  
Fall 2005**

	Non-Resident Students Who Received a Reduced Rate		Tuition Reduction (a)		
	# of Students	% of Total	Amount of Reduction	% of Total	Avg. Tuition Reduction / student
State Universities	10,675	86%	\$24,615,031	95%	\$2,306
Community Colleges	1,490	12%	\$676,619	3%	\$454
Washburn University	207	2%	\$511,999	2%	\$2,473
<b>Total</b>	<b>12,372</b>	<b>100%</b>	<b>\$25,803,649</b>	<b>100%</b>	<b>\$2,086</b>
(a) Tuition reduction was determined by subtracting the actual amount of tuition assessed for each non-resident student from the full non-resident tuition for each student's reported course load. Source: LPA analysis of data provided by schools.					

**Individual tuition-rate reductions for the Fall 2005 semester ranged from \$13 to more than \$10,000 per student.** The amount of tuition reduction per student varied greatly for a number of reasons. For example, tuition rates for graduate students often are much higher than for undergraduates, university tuition rates generally are much higher than community college rates, and some schools offer greater tuition discounts than others.

#### **Economic Impact of Tuition Discounting in Kansas**

Tuition discounting is the forgiveness of all or part of a student's published tuition price. Tuition discounting can assist qualified students who would otherwise lack the means to gain an education. According to an article published by the National Association of Student Financial Aid Administrators:

- administrators tend to view discounts as a way to "attract" students to fill seats or maximize revenue,
- financial officers tend to view discounts as an enrollment planning and financial management tool, and
- students see discounts as an indication of affordability.

Although we didn't find any Statewide economic impact studies associated with tuition discounting in Kansas, we reviewed some studies that may give a sense of the extent of its impact.

A November 2003 study commissioned by Kansas Citizens for Higher Education, looked into the Kansas higher education community's economic contribution and talked about the ripple effect of the expenditures made by the State's higher education institutions. The study, which included the State's public universities, community colleges, and technical schools, found the following:

- students spend more than \$958 million annually over and above tuition, fees, and university supplied room and board,
- students contribute about \$133 million in State tax revenues,
- visitors to the school (parent, alumni) spend over \$277 million in the State.

In addition, Pittsburg State University conducted an Economic Impact Study in fiscal year 2002 which showed that the institution's more than 6,700 students (20% of whom were non-resident and international students) spent close to \$63 million in surrounding communities. The institution attributes at least \$10 million of the economic impact to its Gorilla Advantage Program. This program allows certain non-resident students living in designated counties of southwest Missouri and northeast Oklahoma to pay resident tuition rates. Our analysis of Fall 2005 data showed that there were more than 1,000 students who received a discount under this program. University officials said less than 100 students would likely enroll at the institution from the bordering states if they didn't offer this program.

The lowest tuition-rate reduction amount we saw was for a community college student; the highest was for a graduate student in veterinary medicine. These and other examples are shown below.

- A student enrolled in the Veterinary Medicine program at Kansas State University was assessed full non-resident tuition of \$17,325. Because she's also an employee at the University, the non-resident portion of her tuition (\$10,605) was waived, leaving her a net assessed tuition of \$6,720.
- An undergraduate student at the University of Kansas received a waiver of all his non-resident tuition (\$6,638) because he's a direct exchange student. The formal exchange agreement signed by both institutions required a cap on the number of credit units the exchange students could take, but required no monetary exchange. KU students studying abroad under this agreement would pay only KU resident tuition rates, and vice versa.
- An active duty military employee stationed in Wichita enrolled in undergraduate classes at Wichita State University. Full non-resident tuition would have been \$5,444, but the non-resident portion (\$3,727) was waived, reducing his net assessed tuition to \$1,717.
- An out-of-State student enrolled in an undergraduate online class from Fort Hays State University's Virtual College. Her non-resident tuition would have been \$888. However, because Fort Hays State offers resident rates for all online students, her net assessed tuition was only \$236. She received a discount of \$652.
- An out-of-State resident enrolled in a one-credit class at Seward County Community College. Instead of being assessed the non-resident rate of \$63 per credit unit, she was charged the reduced rate for border residents of \$50 per credit hour, receiving a discount of \$13.

***Specific Tuition-Rate Reductions Authorized By the Legislature Accounted for 40% Of the Students and More Than Half the Amount by Which Tuition Was Reduced***

As noted earlier, the Legislature has passed a number of laws that identify groups of non-residents for whom tuition can or must be charged at a reduced rate. In addition, State law allows each postsecondary institution to determine its own tuition rates, with approval from its oversight board.

**Figure 1-2** groups the 12,372 non-residents with tuition reductions into those two categories, based on the data provided to us by the colleges and universities.

<b>Figure 1-2 Basis for Reducing Non-Resident Tuition</b>				
<b>Basis for Reduction</b>	<b>Students</b>		<b>Tuition Reduction</b>	
	<b>Number</b>	<b>% of total</b>	<b>\$ Amount (In millions)</b>	<b>% of total</b>
Group named in statute	4,936	40%	\$14.3	56%
Institution authorized to set tuition rates	7,411	60%	\$11.5	44%
Other	25	<1%	<\$0.1	<1%
<b>Total</b>	<b>12,372</b>	<b>100%</b>	<b>\$25.8</b>	<b>100%</b>
Source: LPA analysis of data provided by schools (students with multiple discounts are classified by their main category)				

As the figure shows, nearly 60% of the students qualified for a rate reduction under institutional policies resulting from the general authority for schools to set their own tuition schedules with approval from their oversight boards.

**Three types of tuition reductions account for most of the students and money associated with non-**



**resident tuition-rate reductions.** *Figure 1-3* on the next page lists all the reasons cited by school officials for approving rate reductions for non-resident students in Fall 2005, along with the number of students reported and the amount of tuition reduced. Three groups stand out:

- Employees of the institutions, or their dependents. This group includes graduate assistants. It accounts for 23% of all non-resident students with tuition reductions, and 26% of the dollar value associated with the reductions.
- Students enrolled in off-campus or online classes. Most of these students are in online classes, most of the schools charge the resident rate for online classes, and most of these students are enrolled at Fort Hays State University. This group accounts for at least 31% of all non-resident students with tuition reductions, and at least 21% of the dollar value associated with the reductions.
- Students from counties or states bordering Kansas. Several universities and colleges charge resident tuition rates to students from nearby areas. For example, Pittsburg State University offers resident tuition to students from certain counties in Missouri and Oklahoma, and Colby County Community College offers a tuition reduction for students from Nebraska. This group accounts for 23% of all non-resident students with tuition reductions, and 20% of the dollar value associated with the reductions.

*Appendix D* has more information on a school-by-school basis.

**We identified a limited number of non-resident students whose tuition-rate reductions seemed questionable to us, or were clearly in error.** We selected a small sample of students to verify whether they actually qualified for the rate reduction they received. For all 55 students, we requested documentation that they qualified for the tuition reduction, copies of school policies allowing the reduction, and the like.

Schools provided adequate documentation for 96% of the students we reviewed, but 2 of the 55 students didn't qualify for the reduction under the policies cited. These two students are described below:

- Johnson County Community College allowed two foreign students to pay the resident tuition rate because the families the students lived with are Kansas residents. The school based the residency-fee determination on the host family's status, rather than the student's status. One student was an au pair, and one an exchange student.

In addition, in responding to our request for information on all non-residents who received tuition reductions, officials from Cloud County Community College identified 25 non-resident students who were charged resident tuition in error. School officials attributed the error to staff turnover. In all, the discount awarded to these students totaled approximately \$8,000. College officials said they are trying to recover this money.

**Figure 1-3  
Number of Non-Resident Students and Amounts of Tuition Reduction  
By Type of Reduction, Fall Semester 2005**

<b>Waiver/ Discount Category As Reported by Schools</b>	<b>Number of Students <sup>(a)</sup></b>	<b>Amount of Waiver/ Discount</b>
<b>Specified in statutes</b>		
Institutional employee or dependent (including graduate assistants)	2,831	\$6,801,470
International exchange program or reciprocal agreement	558	\$2,267,719
National student exchange program	20	\$68,959
Midwest student exchange program	290	\$958,230
Missouri reciprocal agreement	486	\$2,158,662
Other exchange or reciprocal agreement <sup>(b)</sup>	17	\$39,906
Military or dependent	324	\$1,149,070
Recruited or transferred to KS or dependent	151	\$399,443
Scholars	129	\$96,560
KS high school graduate	70	\$259,999
KS high school graduate (immigrants) <sup>(c)</sup>	56	\$91,470
Divorced parents, one resides in KS	2	\$7,352
<b>Sub-total</b>	<b>4,934</b>	<b>\$14,298,840</b>
<b>Approved by boards of regents or trustees</b>		
Off-campus or online classes	3,870	\$5,340,010
Border resident	2,851	\$5,217,440
Off campus, online, specific program (i.e. nursing) or combination	549	\$845,575
First time full-time student	22	\$16,349
Recruited students applying for scholarships	21	\$11,602
Au Pair / visiting student	15	\$7,614
Graduate or undergraduate credit for a continuing education course	5	\$1,113
County resident discount	4	\$2,622
College housing resident	3	\$7,488
Katrina victim	3	\$1,452
Alumni dependent	2	\$7,027
Municipal scholar	2	\$100
Public Management Center graduate	2	\$3,570
Retroactive credit <sup>(d)</sup>	2	\$594
Concurrent enrollment or early college enrollment program <sup>(e)</sup>	2	\$635
Immigration status change pending	60	\$33,718
<b>Sub-total</b>	<b>7,413</b>	<b>\$11,496,909</b>
<b>Other</b>		
Accounting error	25	\$7,900
<b>Sub-total</b>	<b>25</b>	<b>\$7,900</b>
<b>GRAND TOTAL <sup>(f)</sup></b>	<b>12,372</b>	<b>\$25,803,649</b>
(a) Students were classified according to their primary waiver type, however, some received more than one type of waiver.		
(b) Unspecified international, national, or state exchange or reciprocal agreements		
(c) Includes undocumented immigrants who qualified under HB 2145 (2004 Session)		
(d) If a student successfully completes the second part of a two-part course, they can receive credit and a tuition refund for the first part of the course.		
(e) courses offered to qualified high school students for college credit		
(f) Excludes KU Medical Center students		
Source: LPA analysis of State universities, community colleges, and Washburn University		

<b>Figure 1-4</b> <b>Non-Resident Tuition Rates Per Credit Hour (undergraduate only)</b> <b>And Cost Per Credit Hour</b> <b>Fall 2005</b>								
Universities			Community Colleges					
	CCH	Non-Res		CCH	Non-Res		CCH	Non-Res
KU	\$324	\$443	Dodge	\$228	\$35	Ft Scott	\$160	\$92
KSU	\$282	\$463	Neosho	\$173	\$37	Butler	\$164	\$99
WSU	\$273	\$363	Allen	\$129	\$38	Colby	\$186	\$82
PSU	\$263	\$324	Independence	n/a	\$38	Johnson Co	\$296	\$131
FHSU	\$202	\$296	Pratt	\$217	\$40	Cowley	\$139	\$99
ESU	\$226	\$333	Highland	\$113	\$95	Cloud	\$168	\$119
			Barton	\$184	\$68	Labette	\$231	\$95
			Seward	\$245	\$63	Coffeyville	\$257	\$65
			Garden City	\$251	\$65	Kansas City	\$252	\$147
<b>avg</b>	<b>\$262</b>	<b>\$443</b>	Hutchinson	\$214	\$88	<b>avg</b>	<b>\$200</b>	<b>\$75</b>
Source: Schools' published tuition rates, Kansas Board of Regents and the Director of Budget, Johnson County Community College								

***Tuition Paid by  
Non-Resident Students  
More Than Covers  
The Cost Per Credit  
Hour at Universities,  
But Not at Community  
Colleges***

Cost per credit hour is a measure that estimates teaching costs. It is routinely calculated for the State universities, and is determined by adding together expenditures made from general use funds for Instruction, Academic Support, Student Services, and Institutional Support, and dividing by the number of credit hours attempted.

Neither the community colleges nor Washburn University typically calculate this measure. Johnson County Community College serves as a data repository for all community colleges. Staff there were able to calculate cost per credit hour for community colleges using the same accounting categories, funding sources, and methodology the Board of Regents uses. Because Washburn has a different accounting system, we couldn't include them in this analysis.

**Cost per credit hour averages about \$260 at State universities, and about \$200 at community colleges.** As *Figure 1-4* shows, however, the cost differences between schools vary greatly, even among similar institution types. For example, the cost per credit hour at State universities ranges from \$202 at Fort Hays to \$324 at the University of Kansas. For community colleges it ranges from \$113 at Highland to \$296 at Johnson County.

*Figure 1-4* also shows that, while the non-resident tuition rates at the State universities are significantly higher than the cost per credit hour, the reverse is true at the community colleges.

**Tuition revenues received from all non-resident students (regardless of whether they paid full or reduced rates) more than covered the cost per credit hour at State universities.** As shown below, even though about half the non-resident students at these institutions paid less than the full published rate, the amount they paid still covered the cost per credit hour.

## **UNIVERSITIES:**

Total cost per credit hour for # of  
credit hours reported = \$62 million

Net tuition assessed for  
non-resident students before  
scholarships and grants = \$68 million

**Even if all non-resident community college students had paid the full non-resident rate, the tuition received would be less than the cost per credit hour.** That's because the published tuition rates at community colleges don't cover the calculated cost per credit hour, as shown in *Figure 1-4* on the previous page. And because about 25% of the non-resident students received some type of rate reduction, the gap between tuition revenues and cost was even wider, as shown below:

## **COMMUNITY COLLEGES**

Total cost per credit hour for # of  
credit hours reported = \$14 million

Net tuition assessed for  
non-resident students before  
scholarships and grants = \$5 million

### ***Conclusion:***

In Fall 2005, at least 46% of the nearly 27,000 non-resident students at Kansas' public colleges and universities received some type of waiver or discount, which resulted in tuition reductions of nearly \$26 million. Specific statutory authorizations accounted for 40% of the non-resident students whose tuition was reduced, and for 56% of the money. Policies of boards of regents or trustees accounted for the remainder.

### ***Recommendation:***

To help ensure that non-resident students receive tuition discounts only as intended by policy makers, officials at Johnson County Community College should ensure that statutory and institutional policy requirements are followed.

## Question 2: To What Extent Is Tuition for Kansas' University Students Offset by Government-Sponsored Education Grants and Tax Benefits?

**ANSWER IN BRIEF:** *This question only covers Regents' universities and Washburn University. Beginning in the late 1990s, the federal government took several actions to reduce the tuition burden on families. Average out-of-pocket tuition costs decreased in Kansas after the tax benefits took effect, but are beginning to rise rapidly. One factor influencing this rise: tuition at Kansas universities has increased rapidly after changes made by the 2001 Legislature. By 2004, out-of-pocket tuition had climbed slightly past its 1998 levels, and continues to rise.*

### ***Beginning in the Late 1990s, the Federal Government Took Several Actions To Reduce the Tuition Burden on Families***

The Taxpayer Relief Act of 1997 created two new education tax credits that went into effect in 1998. In addition, in 2001 Congress approved a tax deduction for higher education expenses.

These tax initiatives, shown in **Figure 2-1**, are structured differently and provide different levels of benefit depending on a student's grade level, family income, and the number of family members attending college. Eligible students can take advantage of only one initiative in any year.

<b>Figure 2-1</b> <b>Federal Tax Initiatives To Reduce Tuition Costs</b> <b>1998 - 2001</b>		
<b>HOPE Tax Credit, effective 1998</b>	<b>Lifelong Learning Tax Credit, effective 1998</b>	<b>Tuition Tax Deduction effective 2001</b>
<ul style="list-style-type: none"> <li>• Allows a <u>credit</u> for 100% of the first \$1,000 of tuition and fees, and 50% of the next \$1,000, up to \$1,500 <u>per student</u>.</li> <li>• Can only be used during the 1<sup>st</sup> two years of postsecondary education</li> <li>• Phased out for taxpayers with modified adjusted gross income between \$87,000 and \$107,000 (\$43,000 and \$53,000 for singles).</li> </ul>	<ul style="list-style-type: none"> <li>• Allows a <u>credit</u> for 20% of tuition and fees, up to \$2,000 <u>per family</u>.</li> <li>• Can be used every year; applies to both graduate and undergraduate classes</li> <li>• Phased out for taxpayers with modified adjusted gross income between \$87,000 and \$107,000 (\$43,000 and \$53,000 for singles).</li> </ul>	<ul style="list-style-type: none"> <li>• Allows a <u>deduction</u> for qualified higher education expenses, up to \$4,000 <u>per family</u> for taxpayers with adjusted gross income up to \$130,000 joint or \$65,000 for singles.</li> <li>• Can be used every year; applies to both graduate and undergraduate classes.</li> <li>• Taxpayers with adjusted gross income up to \$160,000 (\$80,000 for singles) may deduct up to \$2,000.</li> </ul>
Results in a dollar-for-dollar reduction in tax liability	Results in a dollar-for-dollar reduction in tax liability	Reduces taxable income, which subsequently reduces tax liability to varying degrees
Source: Budget of the U.S. Government, "Analytical Perspectives," Fiscal Year 2007.		

**In 2004, a *USA Today* newspaper article reported that these tax breaks—together with student aid—more than offset tuition increases.** The article was written on a national basis and covered the period from 1998-2003. The article stated, in part:

*Average tuition paid at public universities fell 32% from the 1997-98 academic year to the 2002-03 year. During that time, the published tuition price rose 18%. What made up the difference: a \$22 billion annual increase in grants and tax breaks since 1998.*

To try to assess whether the national pattern held true for Kansas' public postsecondary students and, if so, whether that pattern was continuing, we collected the following information for 1998-2005 for each of the Regents' universities and Washburn University:

- gross tuition/fee revenue
- student financial aid (excluding student loans, which have to be paid back) broken into federal, State, institutional, and private/other aid
- estimated education tax benefits on a per-student basis from the federal Office of Management and Budget
- published tuition rates
- headcount and FTE enrollment counts

Using this information, we applied the same methodology as the *USA Today* reporter to measure “net” out-of-pocket costs for tuition/fees. That formula is as follows (all on a per-student basis, all in 2006 dollars):

Gross tuition / fee revenue  
—Less student financial aid  
—Less tax benefits  
==“Net” out-of-pocket tuition / fee costs

The reader should be aware that Wichita State University is not included in this analysis. School officials submitted incomplete data (2002-2005 only). They said prior years' data would be too difficult to obtain, because of the implementation of a new computer system. We did note that Wichita State University's data for 2002-2005 showed a similar trend as the other universities.

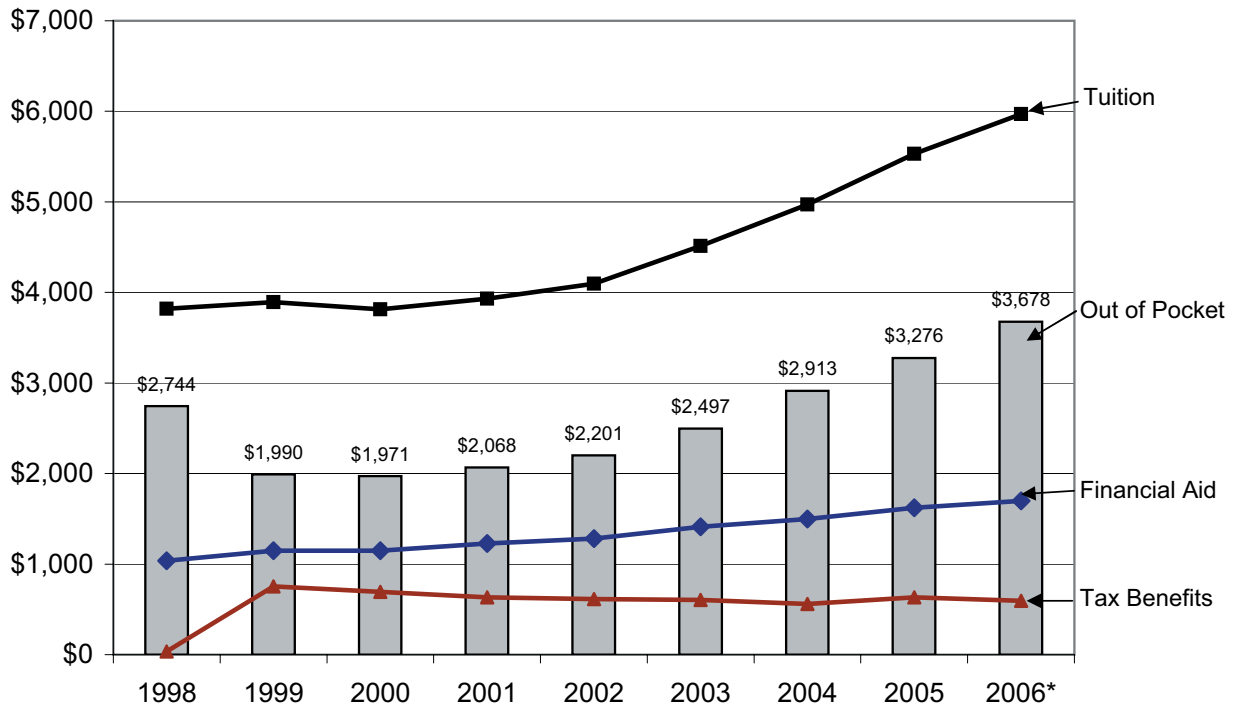
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***Average Out-of-Pocket Tuition Costs Decreased In Kansas After the 1998 Tax Benefits Took Effect, But Have Risen Rapidly Since 2002***

**Figure 2-2** shows the trends in gross tuition /fee revenue, financial aid, and tuition tax benefits since 1998, as well as the “net” out-of-pocket tuition costs paid by students at the Regents' universities and Washburn.

As the shaded bars on that figure show, the annual “net” out-of-pocket tuition and fee costs in Kansas decreased markedly after the tax credits were put in place, and remained fairly level through 2002. That pattern was similar to the national pattern described in the *USA Today* article.

**Figure 2-2**  
**Factors Affecting Out of Pocket Tuition Expenses**  
**Per FTE in 2006 Dollars**



Because state-specific data aren't available, we obtained national data from the federal Office of Management and Budget on the value of the HOPE and Lifetime Learning tax credits, as well as the tuition tax deduction, and applied national averages to Kansas students. We have no way of knowing whether the national average is higher or lower than actual Kansas tax benefits.

\* 2006 is estimated and includes the tuition tax deduction for the full year.

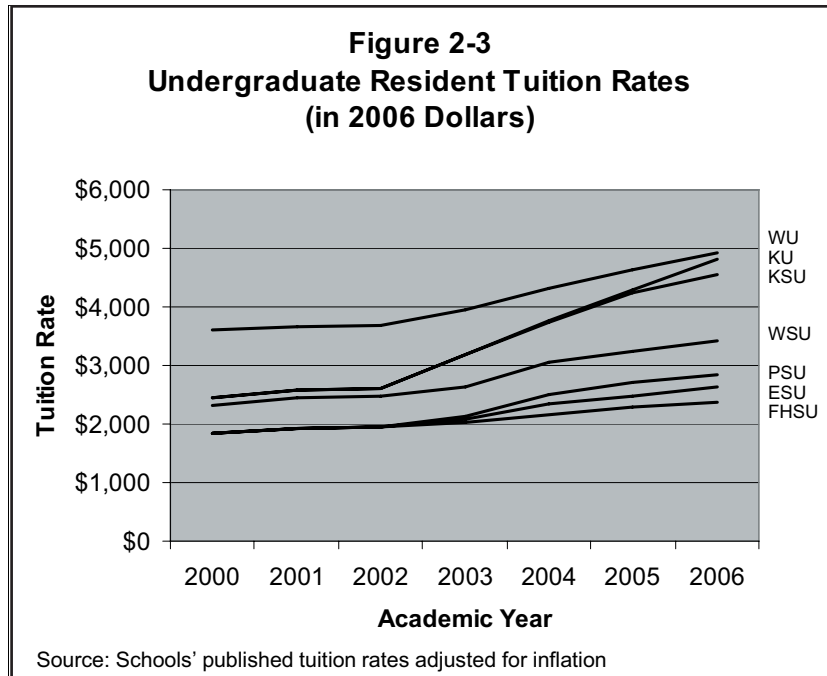
Source: LPA analysis of federal tax information, and schools' fiscal information and enrollment

The figure also shows, however, that those out-of-pocket tuition costs have risen significantly since 2002. As the lines on **Figure 2-2** show, that increase can be explained as follows:

- **Tuition rates have increased markedly for State university students since 2002.** Before 2002, universities developed a budget of total expenditures, estimated how much tuition they would generate, and received funding from the State for the balance of the approved budget. If the university generated more tuition than estimated, then an amount equal to the excess was deducted from the State money it received. As a result of Legislative changes in 2001, the universities are now funded on a block grant system. The universities are allowed to set their own tuition rates (with approval by the Board) and keep all the tuition money they generate. **Figure 2-3** on the next page shows across the board, tuition rates began increasing steadily in 2002 at each public university.

The figure shows tuition rates for undergraduate students; rates for graduate students and non-resident students have increased in a similar fashion. Information about each school's tuition rates can be found in **Appendix C**.





- **Student financial aid has increased gradually since 1998, but hasn't kept pace with the rise in tuition rates and revenues.** Financial aid includes federal grants, State aid, institutional grants and private aid. We did not include student loans in this analysis because they have to be paid back.
- **Estimated tax benefits spiked in 1999 after the enactment of two new credits, but have been tapering off ever since.** Again, the tax benefit analysis is based on national averages. We have no way of knowing whether Kansas is similar to the national average. The 2005 tax year is the last year of the tuition and fees deduction, unless Congress acts to extend it.



## **APPENDIX A**

### **Scope Statement**

This appendix contains the scope statement approved by the Legislative Post Audit Committee for this audit on January 30, 2006. The audit was requested by Representatives McLeland and Hutchins.

#### **Post-Secondary Educational Institutions: Reviewing Tuition Rates Being Charged in Kansas**

State law makes the Board of Regents responsible for setting tuition, fees, and charges at the six State universities. Washburn University and the 19 community colleges each have their own local boards of regents or trustees who have statutory authority to establish tuition rates. Out-of-State students generally are charged a higher tuition rate than in-State students because the State subsidizes part of the cost of educating Kansas residents. However, the law allows universities and community colleges to exempt certain students who don't meet Kansas residency requirements—such as employees of a university or community college and people in the military—from paying out-of-State tuition rates.

Recently, legislators have raised questions about whether and to what extent out-of-State students are being allowed to pay in-State tuition rates even though they don't fall under statutory exemptions. They also want to know the extent to which these students' costs are being subsidized by the State. In addition, in response to several USA Today articles that reported increasing tuition costs have been more than offset in recent years by a compensatory increase in grants and tax breaks, questions have been raised about the extent to which tuition for Kansas' university students is offset by such financial assistance.

A performance audit of this topic would address the following questions.

**1. To what extent and why are out-of-State university and college students paying in-State tuition rates, and do they qualify under State laws, regulations, and guidelines?**

To answer this question, we would review applicable laws, regulations, and guidelines established by the Board of Regents, and compare them with any tuition policies developed by the individual institutions. For a sample of schools, we would review the processes they've established for determining whether an out-of-State student is eligible for in-State (or near in-State) tuition rates. If data are readily available, we would ask the schools to identify the total number of out-of-State students who paid in-State rates during a recent school year. For a sample of students at a sample of schools, we would determine why those out-of-State students paid in-State tuition rates, and whether they met the exemptions spelled out in State laws, regulations, or guidelines. We would interview school officials and perform other testwork as needed.

**2. What's the fiscal impact of allowing out-of-State students to attend post-secondary educational institutions at in-State tuition rates?** To answer this question, we would review applicable laws, regulations, and mechanisms for funding State universities, Washburn, and the community colleges. We would interview officials from the Board of

Regents and from each school to understand how they determine average costs per credit hour, and would compare those costs for the most recent fiscal year with credit hour fees actually charged to in-State and out-of-State students and in-district and out-of-district students at community colleges. Based on the various funding mechanisms for each type of educational institution, we would determine the estimated fiscal impact on the institution and the State when out-of-State students are allowed to pay in-State tuition rates even though they don't meet the State's exemptions. We would perform additional work in this area as needed.

- 3. To what extent is tuition for Kansas' university students offset by government-sponsored education grants and tax benefits?** To answer this question, we would identify available statistical information on State, federal, and institutional grants from university financial aid offices and from such sources as the College Board and the U.S. Department of Education. Using this information, we would estimate how much of Kansas students' tuition costs have been covered by such financial assistance over time, on average. Part of our analysis would include a review of financial aid that targets families earning \$40,000-\$100,000 per year. [All our analyses would exclude student loans, which have to be paid back.] Although we don't think information will be available about tax benefits (credits and deductions) related just to students who attend Kansas universities, we would at a minimum report on the State and federal tax breaks that are available to help cover college education costs, and how those amounts have changed nationwide over time.

Estimated time to complete: 11-13 weeks

(Staff note: Based on initial contacts with university officials, we think that information is not readily available about which out-of-State students are charged in-State (or near in-State) tuition rates, the amounts they are charged, the reasons why, and whether they are eligible, and will have to be obtained and analyzed for a sample of students at a sample of universities. If such information is more readily available, the time estimates for this audit will be reduced. )

# APPENDIX B

## Number of Out-of-State Students Who Received Tuition Waivers and Discounts in Fall 2005

The following table shows the number of out-of-State students enrolled in Regents universities, community colleges, and Washburn University in the fall semester of 2005; and, the number who received tuition waivers and discounts, as well as the related tuition waiver and discount amounts, by type of authority.

Number of Non-Resident Students and Amounts of Waivers and Discounts By Institution Fall Semester 2005											
Institutions	Number of Students			Non-Resident Students Who Received Waivers and Discounts <sup>(a)</sup>							
	all	non-resident	% non-res	#	amount	average	#	amount	average	#	other <sup>(b)</sup> amount
<b>State Universities</b>											
Emporia State University	6,288	892	14%	166	\$509,115	\$3,067	419	\$779,097	\$1,859		\$0
Fort Hays State University	9,019	3,607	40%	38	\$93,919	\$2,472	3,388	\$4,962,455	\$1,465		\$0
Kansas State University	23,182	4,445	19%	1,672	\$5,505,859	\$3,293	743	\$1,070,096	\$1,440		\$0
Pittsburg State University	6,628	1,732	26%	179	\$718,487	\$4,014	1,228	\$3,409,821	\$2,777		\$0
University of Kansas <sup>(c)</sup>	26,934	8,098	30%	1,976	\$5,498,522	\$2,783	264	\$471,677	\$1,787		\$0
Wichita State University	14,076	1,704	12%	602	\$1,595,983	\$2,651	-	\$0	\$0		\$0
<b>Sub-total</b>	<b>86,127</b>	<b>20,478</b>	<b>24%</b>	<b>4,633</b>	<b>\$13,921,885</b>	<b>\$3,005</b>	<b>6,042</b>	<b>\$10,693,146</b>	<b>\$1,770</b>	<b>-</b>	<b>\$0</b>
<b>Community Colleges</b>											
Allen County Community College	2,537	76	3%	-	\$0	\$0	-	\$0	\$0		\$0
Barton County Community College	4,000	729	18%	-	\$0	\$0	-	\$0	\$0		\$0
Butler Community College	8,909	459	5%	15	\$18,959	\$1,264	41	\$23,677	\$577		\$0
Cloud County Community College	2,753	112	4%	3	\$1,255	\$418	62	\$52,635	\$849	25	\$7,900
Coffeyville Community College	1,983	330	17%	129	\$96,560	\$749	146	\$51,999	\$356		\$0
Colby Community College	1,700	213	13%	1	\$1,649	\$1,649	146	\$62,451	\$428		\$0
Cowley County Community College	4,679	244	5%	-	\$0	\$0	125	\$88,801	\$710		\$0
Dodge City Community College	1,805	144	8%	-	\$0	\$0	-	\$0	\$0		\$0
Fort Scott Community College	1,835	327	18%	-	\$0	\$0	282	\$92,484	\$328		\$0
Garden City Community College	2,408	275	11%	-	\$0	\$0	-	\$0	\$0		\$0
Highland Community College	2,821	153	5%	-	\$0	\$0	95	\$45,868	\$483		\$0
Hutchinson Community College	4,872	277	6%	1	\$342	\$342	2	\$100	\$50		\$0
Independence Community College	958	141	15%	-	\$0	\$0	14	\$1,275	\$90		\$0
Johnson County Community College	18,680	1,610	9%	47	\$34,245	\$729	15	\$7,614	\$508		\$0
Kansas City Kansas Community College	5,419	246	5%	22	\$16,464	\$748	1	\$490	\$0		\$0
Labette Community College	1,222	146	12%	-	\$0	\$0	97	\$38,379	\$396		\$0
Neosho County Community College	1,712	134	8%	-	\$0	\$0	-	\$0	\$0		\$0
Pratt Community College	1,546	87	6%	1	\$824	\$824	2	\$1,320	\$0		\$0
Seward County Community College	1,710	313	18%	13	\$713	\$55	205	\$30,615	\$149		\$0
<b>Sub-total</b>	<b>71,549</b>	<b>6,016</b>	<b>8%</b>	<b>232</b>	<b>\$171,011</b>	<b>\$737</b>	<b>1,233</b>	<b>\$497,708</b>	<b>\$404</b>	<b>25</b>	<b>\$7,900</b>
<b>Municipal University</b>											
Washburn University	7,261	412	6%	71	\$207,715	\$2,926	136	\$304,284	\$2,237		\$0
<b>Sub-total</b>	<b>7,261</b>	<b>412</b>	<b>6%</b>	<b>71</b>	<b>\$207,715</b>	<b>\$2,926</b>	<b>136</b>	<b>\$304,284</b>	<b>\$2,237</b>		<b>\$0</b>
<b>GRAND TOTAL</b>	<b>164,937</b>	<b>26,906</b>	<b>16%</b>	<b>4,936</b>	<b>\$14,300,611</b>	<b>\$2,897</b>	<b>7,411</b>	<b>\$11,495,138</b>	<b>\$1,551</b>	<b>25</b>	<b>\$7,900</b>

(a) Students were classified according to their primary waiver type, however, some received more than one type of waiver

(b) All were students at Cloud County Community College who were inadvertently given discounts due to an accounts receivable staff turnover

(c) Excludes KU Medical Center students

Source: LPA analysis of Kansas Board of Regents, State universities, community colleges, and Washburn University data

**APPENDIX C**  
**Published Tuition Rates Fall 2005**

The following table shows the published tuition rates at Regents universities, community colleges, and Washburn University for fall semester of 2005. The amounts shown are per credit hour.

APPENDIX C Published Tuition Rates, Fall 2005 Per Credit Hour				
School	Undergraduate		Graduate	
	Resident	Non-Res	Resident	Non-Res
KU	\$161	\$443	\$202	\$500
KSU	\$152	\$463	\$215	\$534
WSU	\$114	\$363	\$164	\$491
ESU	\$88	\$333	\$132	\$422
PSU	\$95	\$324	\$138	\$383
FHSU	\$79	\$296	\$117	\$348
WU	\$164	\$371	\$225	\$458
Allen County CC	\$38	\$38		
Barton County CC	\$47	\$68		
Butler County CC	\$55	\$99		
Cloud County CC	\$52	\$119		
Coffeyville CC	\$25	\$65		
Colby CC	\$43	\$82		
Cowley County CC	\$47	\$99		
Dodge City CC	\$35	\$35		
Fort Scott CC	\$36	\$92		
Garden City CC	\$39	\$65		
Highland CC	\$45	\$95		
Hutchinson CC	\$50	\$88		
Independence CC	\$38	\$38		
Johnson County CC	\$65	\$131		
Kansas City CC	\$49	\$147		
Labette CC	\$41	\$95		
Neosho County CC	\$37	\$37		
Pratt CC	\$40	\$40		
Seward County CC	\$40	\$63		
Source: Kansas Board of Regents Comprehensive Fee Schedule, Washburn University				

# APPENDIX D Tuition Waivers and Discounts in Fall 2005 As Reported by Schools

The following table shows the list of tuition waivers and discounts reported to us by each school for Fall 2005. We've indicated which school reported which type of tuition reduction.

Types of Waivers and Discounts Out-of-State Students Qualified For By Institution <sup>(a)</sup> Fall Semester 2005																											
Institutions		State Universities							Community Colleges														Municipal University				
		ESU	FHSU	KSU	PSU	KU	WSU	Allen Co.	Barton Co.	Butler Co.	Cloud Co.	Coffeyville Co.	Colby Co.	Cowley Co.	Dodge City	Fort Scott	Garden City	Highland	Hutchinson	Independence	Johnson Co.	Kansas City	Labette	Neosho Co.	Pratt	Seward Co.	WU
Specified in statutes																											
Institutional employee or dependent (including graduate assistants)		✓	✓	✓	✓	✓	✓				✓		✓								✓	✓				✓	
International exchange program or reciprocal agreement		✓	✓	✓	✓	✓	✓																				✓
National student exchange program				✓			✓																				
Midwest student exchange program			✓	✓	✓	✓	✓																				
Missouri reciprocal agreement				✓			✓																				
Other exchange or reciprocal agreement <sup>(b)</sup>																											✓
Military or dependent			✓	✓	✓	✓	✓				✓																✓
Recruited or transferred to KS or dependent		✓	✓	✓	✓	✓	✓																				✓
Scholars												✓							✓						✓		
KS high school graduate				✓	✓	✓	✓																				✓
KS high school graduate (immigrants) <sup>(c)</sup>		✓	✓	✓	✓	✓	✓			✓										✓							✓
Divorced parents, one resides in KS		✓																									
Policy of boards of regents or trustees																											
Off-campus or online			✓	✓			✓																				
Off campus, online, specific program (i.e. nursing) or combination <sup>(d)</sup>																											
Border resident		✓	✓		✓	✓					✓	✓	✓	✓		✓							✓			✓	✓
First time full-time student											✓							✓									✓
Recruited students applying for scholarships												✓															
Au Pair visiting scholar																					✓						
Graduate or undergraduate credit for a continuing education course																											✓
County resident discount													✓														
College housing resident																		✓							✓		
Katrina victim										✓																	✓
Alumni dependent																											
Municipal scholar																			✓								
Public Management Center graduate							✓																				
Retroactive credit										✓																	
Concurrent enrollment or HS student in early college enrollment program											✓																✓
Resident status change		✓	✓							✓	✓									✓		✓					
Other																											
Accounts receivable error due to turnover																											
(a) Not a comprehensive list of waivers and discounts institutions may offer; based only on reported waivers and discounts for the fall semester of 2005, excluding those offered by the KU Medical Center; students were classified only according to their primary waiver type, however, some received more than one type of waiver or discount.																											
(b) Unspecified international, national, or state exchange or reciprocal agreements																											
(c) Includes undocumented immigrants who qualified under HB 2145 (2004 Session)																											
(d) Includes some Kansas City Metro students																											
Source: LPA analysis of State universities, community colleges, and Washburn University data																											

## **APPENDIX E**

### **Agency Response**

On November 29th we provided copies of the draft audit report to the Kansas Board of Regents, the State universities, the community colleges and Washburn University. The Kansas Board of Regents submitted a coordinated response which is included as this Appendix.

The Board generally concurred with the report's findings, conclusions, and recommendation. We made minor changes or clarifications to the draft report as a result of the Board's review of the draft report.





# KANSAS BOARD OF REGENTS

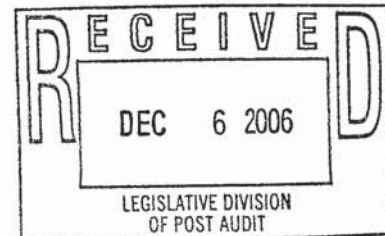
1000 SW JACKSON • SUITE 520 • TOPEKA, KS 66612-1368

TELEPHONE – 785-296-3421  
FAX – 785-296-0983  
[www.kansasregents.org](http://www.kansasregents.org)

December 6, 2006

Barbara J. Hinton, Legislative Post Auditor  
Legislative Division of Post Audit  
800 SW Jackson Street, Suite 1200  
Topeka, KS 66612-2212

Dear Ms. Hinton:



Thank you for the opportunity to review the draft of your recently completed performance audit, *Postsecondary Educational Institutions: Reviewing Tuition Rates Being Charged to Non-Resident Students in Kansas*. In addition to this system response, I have attached several letters from individual institutions regarding institution-specific issues.

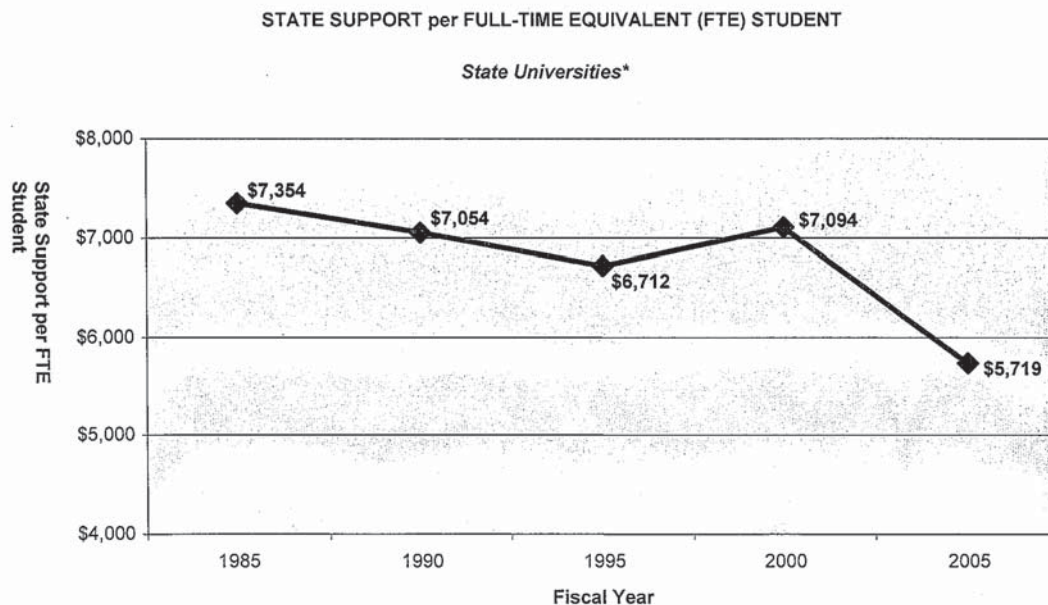
First, on behalf of the state universities, community colleges, and Washburn University, we very much appreciate the professionalism and diligence of the auditors as they tackled these tough questions. We think they have provided policymakers with valuable, factual information about tuition rates for non-residents, which will help decision-makers—including the Kansas Legislature, the Kansas Board of Regents, the Washburn Board of Regents, and community college boards of trustees—examine the various policies and policy rationales for waiving or discounting tuition for non-residents.

To get a more useful sense of the impact of current policies, it may be helpful to set the issue of non-resident tuition in the context of the total number of students and total tuition revenues at Kansas public colleges and universities. In Fall 2005, there were 167,627 students enrolled at Kansas public colleges and universities, of which nearly 27,000, or 16 percent, were non-residents who received some sort of tuition reduction. For FY 2006, estimated revenues from tuition totaled \$500 million; LPA estimated that reductions attributed to current tuition reduction policies accounted for \$26 million or 5.2 percent of total revenues. We believe the numerous tuition reduction programs identified in the audit, such as those for military service members and dependents, graduate teaching assistants, and border residents, fairly balance the state's policy interests in promoting access, affordability, and recruitment against foregone tuition revenues.

Tuition revenues, whether from residents or non-residents, are important to all public institutions. For state universities, the Legislature has created an incentive for the Board of Regents to be careful with discounting and/or waiving tuition by crediting tuition revenues to the General Fees Fund of each state university, subject to appropriation by the Legislature, but without an expenditure limit. This method ensures that the Board will exercise great care in evaluating to what extent it is in a state university's interest to waive or discount non-resident

tuition. Similarly, decisions about tuition revenues are carefully weighed at the community colleges and Washburn University.

With regard to the question about the extent to which tuition for state university students is offset by government-sponsored education and tax benefits, the report confirms our anecdotal evidence that out-of-pocket costs for students are rising in recent years. Your report suggests that perhaps one factor influencing the rise was the change made in the approach to budgeting and the decoupling of tuition and SGF. More importantly, since FY 2000, state support has dramatically declined. The graph below charts the decline in state support. In FY 2000 state support per FTE student equated to \$7,094 and it dropped to \$5,719 in FY 2005.

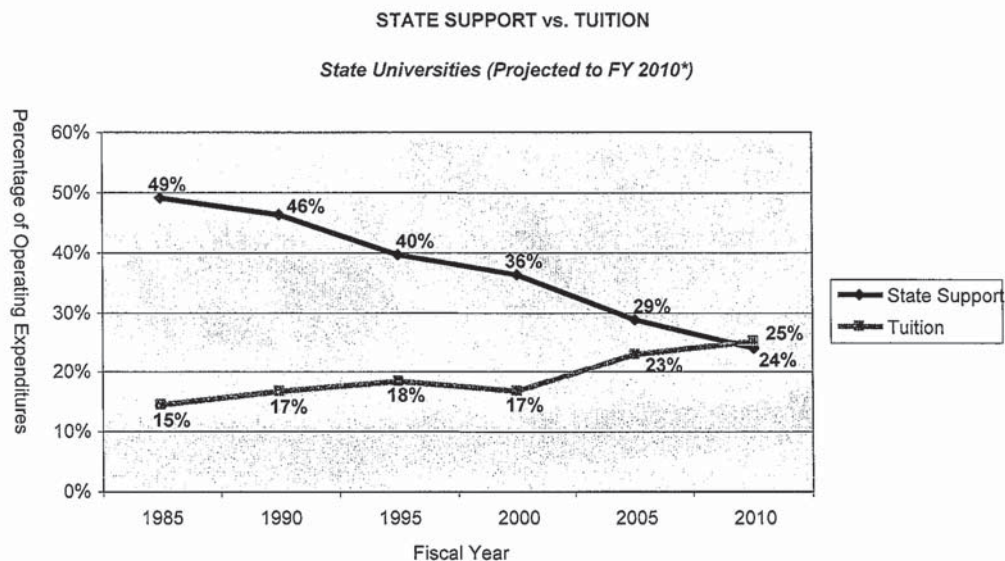


\* State universities only; excludes KUMC, KSU-Vet Med, and KSU-ESARP.

If current trends continue and the level of state support continues to decline, as the table below indicates by 2010 the percentage of state university operating expenditures supported by tuition will surpass state support.



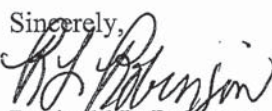
Letter to Barbara J. Hinton  
December 6, 2006  
Page 3



\* State universities only; excludes KUMC, KSU-Vet Med, and KSU-ESARP.

Thus, tuition levels are but one area that must be considered when considering the financing of higher education.

Thank you for the opportunity to comment. Again, I appreciate the hard work your auditors undertook to provide such a comprehensive analysis.

Sincerely,  
  
Reginald L. Robinson  
President and CEO

cc: Regents  
University Presidents  
Community College Presidents  
Washburn University President



Johnson County Community College  
12345 College Blvd.  
Overland Park, Kansas 66210-1299  
913-469-8500      www.jccc.edu

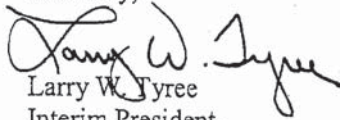
December 5, 2006

Dear Ms. Barbara Hinton,

We have received the Performance Audit Report from the Legislative Division of Post Audit. We will review college policies as they relate to out of state student status to comply with all state regulations.

Thank you for the time and effort that has been required for this audit.

Sincerely,

  
Larry W. Tyree  
Interim President



Vice President for  
Administration and Finance  
105 Anderson Hall  
Manhattan, KS 66506-0116  
785-532-6226  
Fax: 785-532-6693

November 30, 2006

Barbara J Hinton, Legislative Post Auditor  
Legislative Division of Post Audit  
800 SW Jackson Street  
Suite 1200  
Topeka, KS 66612-2212

*BARBARA*  
Dear Ms. Hinton:

We have reviewed the draft of your recent audit that reviewed tuition rates being charged to non-resident students at our colleges and universities. From Kansas State University's perspective, we believe the audit accurately portrays our policies and practices. I am writing to clarify two points related to that audit.

First, I would like to point out that the Veterinary Medicine student referenced on Page 8 of the draft audit received a partial tuition waiver because she was also an employee of the University. Figure 1-3 in your report accurately points out that such waivers are permitted by state statute.

Second, all of the partial tuition waivers awarded to nonresident students at K-State that fell into the category "Approved by the Kansas Board of Regents" were for students enrolled in off-campus or on-line classes. Regents universities have provided such waivers for at least the past thirty years.

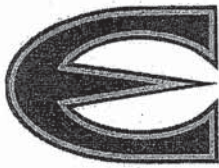
Thank you for the opportunity to respond to your draft audit.

Sincerely,

Jon Wefald  
President

cc: Reginald Robinson





# EMPORIA STATE UNIVERSITY™

1200 Commercial St  
Emporia, Kansas  
66801-5087

620-341-5333  
620-341-5553 fax  
www.emporia.edu

OFFICE OF THE PRESIDENT  
Campus Box 4001

December 4, 2006

Ms. Barbara Hinton, Legislative Post Auditor  
Post Audit, Legislative Division of  
800 SW Jackson Street, Suite 1200  
Topeka, Kansas 66612- 2212

Dear Ms. Hinton:

Having read Legislative Post Audit's recent review of Non-resident tuition, we wish to forward two observations which we believe are relevant to the audit response:

Tuition Charged Students from Neighboring States. The LPA review identifies as a waiver or discount, the revenue which might be collected if students from five neighboring states paid the full non-resident tuition rate. We respectfully disagree with this method of analysis. It is initially important to understand that the rates are a special tuition, which the Board of Regents approved the university to charge of qualified students from those states, rather than a "waiver" of the non-resident tuition rate. Secondly, it is not correct to assume that the amount LPA identifies as a "waiver" would actually be collected, should the regular non-resident rate be charged of students from those five states. Emporia State's analysis of this topic, prepared for the Board of Regents, reflected that tuition collections from those states increased upon approval of the special tuition rate. Accordingly the special tuition rate resulted in increased marginal income for the University and not a loss of revenue. During FY 2006 collections from students in those five states was \$ 302,000 higher than actual collections during FY 2003, the year prior to authorization of the neighboring state program. We believe in the absence of this special tuition University revenues would decline by this amount, rather than increase by the \$779,097 which LPA cites as the value of a "waiver."

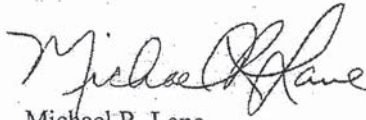
Rates Charged Non-Resident Distance Learning Students. LPA's analysis mentions that most institutions charge resident rates for on-line courses. While the statement is generally true, it is not true at Emporia State. Beginning with academic year 2003-2004, ESU has charged non-residents enrolled in all distance learning courses 150 percent of the resident rate unless the student could demonstrate that they were employed in Kansas.

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ESU increased its annual tuition revenue by approximately \$118,000 upon implementation of this special tuition rate.

I hope these clarifications will be relevant for your work with the Post Audit Committee. Please contact me if we can be of further assistance.

Sincerely,

A handwritten signature in cursive script that reads "Michael R. Lane".

Michael R. Lane  
President

File h:\Legislative Post Audit 120406