Tuition Waiver Proposal
Kansas State University

May 2003

TUITION WAIVER PROPOSAL
Kansas State University

Prepared by the Faculty Affairs Subcommittee
on Faculty Salaries and Fringe Benefits
of the Faculty Senate at
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Introduction

Two years ago, the Kansas Legislature voted for a new state funding mechanism for public universities to be initiated in FY 2003. This change in funding provides tuition ownership for the public universities with each university being responsible for determining and planning how the revenue will be used (i.e., salary increases, OOE supplements, etc.). With the flexibility that goes with tuition revenue ownership, now is a good time to make proposals for items that could not have been considered in prior years, primarily tuition waivers.

Last year, the Faculty Salaries and Fringe Benefits sub-committee of Faculty Affairs committee made a recommendation in their annual Benefits Report to implement a tuition waiver for employees or spouses and their dependents for FY 2003. Many changes have occurred since the report, which have dampened this excitement. Kansas had the largest revenue shortfall in history and the political implications of continual budget cuts or other mechanisms to balance the State budget loom over the Statehouse and with K-State's central administrators. The gloominess of the economy makes this proposal even more important and the committee feels it is imperative to move forward and submit a formal proposal in FY 2003 for the good of the university.

The following will provide numerical information supporting an additional benefit to K-State employees, tuition waivers for dependents, spouses and employees. The results received from a survey sampling 1,500 employees provide an estimated number of dependents who are likely to attend K-State, tuition waived, and some estimated indirect costs. Comparison of tuition waivers offered at the other Big 12 Universities, Peer Universities, and other NASLUGC institutions is presented. Finally, the benefits of increased retention of employees, tools for recruitment, and the increased economic impact of more students staying in Manhattan and in the State of Kansas are highlighted.

The Survey

When developing the proposal for the tuition waiver, it was quite evident that knowing the number of employees' dependents who could take advantage of this benefit would be beneficial. Unfortunately, K-State does not maintain this information. Therefore, surveying the employees was the best way to gather this information.

A sub-committee of the Faculty Salaries and Fringe Benefits committee developed a four-question survey {See Attachment 1 for a copy of the survey}. The questions asked the number of dependent children, the likelihood that these children would attend K-State, support level of the respondent for dependent tuition waivers, and how effective tuition waivers would be in retaining and recruiting employees. The survey was administered as an online survey to a random sample of 1,500 employees (500 each of faculty, unclassified professionals, and classified staff). Even though this sub-committee is under Faculty Senate and proposes recommendations for faculty and unclassified professionals, the committee members felt very strongly about including classified staff in this tuition waiver proposal. Many attributes and benefits at this university are job classification specific. However, the university cannot function unless all employees are a part of the entire unit. The morale, retention, and recruitment affect all classifications of employees at K-State. With fewer and fewer benefits offered to state employees, excluding classified staff was deemed unacceptable.

Overall 37.8% of the sample of 1,500 responded. Almost 59% of the respondents reported having dependent children {an individual an employee claims as a dependent on their federal income taxes and who is below the age of 23}. For employees with dependent children, the average number of children was two. (See Table 1).

The Classified staff had the lowest response rate (22.6%) due primarily to the fact that many classified staff members do not have access to a computer on campus. The faculty and unclassified professionals response rates were 46.4% and 44.4% respectively. These response rates were adequate to make projections of the number of dependent children of employees who would take advantage of the tuition waiver if offered at K-State and the support for this type of benefit.

Table 1:

	Responded to the Survey	Dependent Children

Response Rates:	%	N	Yes	No	% w/children
Faculty (500)	46.4%	232	141	89	61.3%
Unclassified Professional (500)	44.4%	222	126	94	57.3%
Classified (500)	22.6%	113	63	49	56.3%
Total (1,500)	37.8%	567	330	232	58.7%

Of those responding to the survey, 83.1% answered that a tuition waiver would be effective to very effective in improving the retention, morale, and recruitment of employees at K-State. Similarly, 80.3% were highly supportive of a tuition waiver (See Tables 2 and 3 for more details).

Table 2:

	How Effective?			
	Very Effective/Effective		Ineffective/Very Ineffective	
	N	%	N	%
Faculty (230)	187	81.3%	43	18.7%
Unclassified Professional (221)	191	86.4%	30	13.6%
Classified (112)	90	80.4%	22	19.6%
Total (563)	468	83.1%	95	16.9%

Table 3:

	Support this Type of Program					
	Very High/High		I do not care		Low/Very Low	
	N	%	N	%	N	%
Faculty (227)	185	81.5%	23	10.1%	19	8.4%
Unclassified Professional (221)	180	81.4%	20	9.0%	21	9.5%
Classified (110)	83	75.5%	15	13.6%	12	10.9%
Total (558)	448	80.3%	58	10.4%	52	9.3%

The majority of the general comments was positive and supported a tuition waiver for dependents. Many suggested that the tuition waiver should also apply to the spouse and employee. Some respondents commented that this tuition waiver was too late for them personally, but knew that it is a worthwhile benefit. By doing a content analysis, eight general themes seem to be mentioned the most. As Table 4 shows, the general comments of "good idea" and to "include tuition waivers for employees and spouses" were commented the most for almost every employee category. As is indicated in Table 4, there were also some negative comments towards offering a tuition waiver for dependents. However, the positive comments out numbered the negative 4.5 to 1.

Table 4:

General Comments:	Faculty	Unclassified Professionals	Classified	Total
Good Idea	90	80	39	209
Include Tuition Waivers for Employees	5	19	11	35
Include Tuition Waivers for Spouse	12	13	4	29
Salary Increases Instead	8	8	5	21
Not a Good Idea	8	5	4	17
Other Benefits Instead	7	9	1	17
Tuition Waivers for all Regent Universities	11	2		13
Causes increased negative morale	7	1	1	9

Projected Tuition Waived

Dependent Tuition Waivers:

The survey was specifically developed to be simple (four questions). The short survey more than likely stimulated employees to respond. However, with no demographic data of the respondents, the results may or may not be a representation of the total population. On the other hand, the sample was random, included a wide age range of employees, and was stratified by job classification (faculty, unclassified, classified). With this in mind, the projected number of dependents and the amount of tuition waived are calculated at the upper range.

Children under the age of 15 more than likely have not thought about what they will do after high school. Therefore, the 15-18 year old category (4 year period) was the most reasonable category to use to estimate the number of employee dependents. Respondents reported a total of 125 children between the ages of 15-18 years old and who were likely to attend K-State. Essentially, 42.7% of the respondents had at least one child in the 15-18 range and 88.7% of those children were likely to attend K-State if there was a tuition waiver (See Attachment 2 for more details).

As of October 1, 2002, K-State had 4,666 active full and part-time employees. The projected number of employees with at least one 15-18 year old was 1,160 and the total number of projected 15-18 year olds for the population was 1,415. Because 88.7% were likely to attend K-State, the projected total number of 15-18 year olds who were more than likely to attend K-State was 1,255.

Because the committee members felt that 100% dependent tuition waiver was important in retaining faculty and staff, the following calculations were made. The four-year average of the tuition per academic year per student is $5,638.00 (calculated using a 20% increase per year over four years at 100% of the total). By estimating that about 313 dependents will attend K-State the first year, about $1,765,000 of tuition would be waived. One must keep in mind that the tuition is an average over four years with a 20% increase compounded yearly. The tuition may not increase at that rate each year and the number of dependents attending may be lower than 313.

Employee/Spouse Tuition Waivers:

Even though the survey did not ask the likelihood of the employees and/or their spouses attending K-State if there was a tuition waiver, it is evident by the general comments that it would be an additional incentive to offer the tuition waiver to employees and/or spouses. This proposal is recommending 100% employee tuition waiver for 6 hours per semester. The employee would have the option to transfer this benefit to his/her spouse.

Currently, K-State offers a tuition assistance program for full-time classified and unclassified (including faculty) employees, which provides a tuition waiver for one course per semester. Each employee must apply and be accepted for this tuition waiver. For FY 2003, $49,000 was budgeted for this program. Almost 60 classified and unclassified personnel apply and almost 100% receive this waiver. The waiver includes undergraduate and graduate courses. If a 100% tuition waiver was offered to employees, the number of applicants may double. Therefore, the tuition waived for about 120 employees taking 12 hours per year (6 hours per semester), would be over $270,000 (undergraduate rate of $188.00 per hour). Basically, offering a 100% tuition waiver vs. the tuition assistance program would be about $220,000 over what is currently budgeted. What a small investment the university can make in its employees. The return on this investment begins first with the employee remaining at the university until retirement; secondly, advancing in his/her job; and thirdly, becoming a better and more productive employee because of the professional development received through the university.

Big 12, Peer, and other Land Grant Universities' Tuition Waiver Benefits

For FY 2004, K-State will be in its third year of little to no salary increases for all employees with classified employees receiving no step increase for the third consecutive year. This has created low morale, attrition issues, and many unfilled open lines. In documented cases, it has been reported that faculty have left the university for higher salaries and the tuition benefit for their child being the strongest draw.

To better understand who might be K-State's competitors, Table 5 provides the comparative information of tuition waivers for employees and/or dependents at the Big 12, Peer and selected NASULGC institutions. The results may be somewhat surprising as 7 out of the 10 Big 12 institutions (excluding Baylor) offer tuition waivers for employees and 2 out of the 10 provide an option for dependent tuition waivers. The five Peer institutions are a little better with all five offering employee tuition waivers and 3 out of the 5 have some type of dependent waivers or scholarships. Finally, of the selected other Land Grant institutions (some of the competitive schools for faculty and unclassified professionals), all four offer some type of tuition waiver for employees, but only two provide any type of tuition waiver for employees' dependents.

The results shown in Table 5 do not provide much evidence that K-State is the last of the comparison universities to offer dependent tuition waivers. However, with K-State's faculty salaries being at the bottom of the ranking, 12th and 5th for the Big 12 and Peer Institutions respectively, an added benefit such as dependent tuition waivers would make K-State compensation package more appealing. Even though comparative salaries of unclassified and classified staff are not available, a tuition waiver for employees, spouses and/or dependents would be an added benefit to the short line of benefits offered and in the long run, boost morale. Basically, K-State becomes a bit more competitive in the job market.

Table 5:

Big 12 Universities	**Faculty/Staff**	**Dependents**
Colorado	6 hrs tuition	Scholarships after 3 yrs of employment (25% of resident tuition)
Iowa State	Tuition Reimbursement Program based on funding	None
Kansas	Non-resident employees receive resident rates and fees are waived	Dependents of non-resident employees receive resident rates
Missouri	6 hrs 75% tuition after 6 months employment	None
Nebraska	Scholarship - 15 hrs per year tuition	Parents must have qualified and they transfer to dependent instead
Oklahoma	50% of tuition - up to 6 hrs/sem	None
Oklahoma State	50% of tuition & fees, added to W-4	None
Texas	1 course per semester tuition after 1 yr employment	None

Texas A & M	None	None
Texas Tech	None	None

Peer Universities	**Faculty/Staff**	**Dependents**
Colorado State	FT - 6 hrs/yr, PT - 3 hrs/ur	Scholarship - 25% tuition discount to dependents and spouse
North Carolina State	2 courses per year/ 1 per semester - tuition & fees	Scholarships
Oregon State	$15/hr Undergrad & $22/hr Grad tuition - max 12 hrs	Employee can transfer their benefit to 1 dependent only

Other Land Grant Institutions	**Faculty/Staff**	**Dependents**
University of California, Davis	2/3 reduction of both University Registration Fee and the Educational Fee up to 9 hours per quarter or semester	None
Michigan State University	14 semester credits or 20 term credits per academic year; $800 towards non-credit course	None
The Ohio State University	100% of instructional, general, and non-Ohio resident fees up to 10 credit hours per quarter	50% of instructional and general fees for undergraduate, graduate, or professional courses. Use for a total of 12 quarters or 200 credit hours per dependent, whichever is greater.
Purdue	Pay 30% of tuition and fees - 7 hrs/yr	Have to be degree seeking - 1/2 tuition and fees pd - no limit on hrs

Indirect Costs, Economic Impact to Manhattan, and state of Kansas

Every time K-State loses a faculty or unclassified professional, the cost to replace this person is fairly high. For example, in the College of Arts and Sciences, the start-up costs for a science lab are between $200,000 and $300,000. In addition, the estimated costs for recruitment of a new faculty member range from $5,000 to $10,000. This year, Arts and Sciences recruited for 15 faculty members ($75,000 to $150,000). For the Dean's position, the cost for recruitment is close to $15,000. In this example, if the faculty member who had a start-up cost of $200,000 leaves along with 15 other faculty members, the loss to the College of Arts and Sciences is almost $500,000. With nine colleges at K-State, this number could increase dramatically.

Granted, adding more students to a classroom has a cost as well as costs associated with advising the student, processing the student through enrollment and providing student service needs. On the other hand, each additional student generates revenue for the city of Manhattan, the counties of Riley and Pottawatomie, and especially Varney's Bookstore. At the same time, when this student graduates, the Alumni Center calculates the total giving by a K-State alumnus is $71 annually. Finally, research shows the majority of students employed after college are employed in the same state by which they receive their degree. In this case, Kansas has 62,897 graduates living in Kansas contributing to the Kansas economy and the welfare of higher education in the state (tax dollars). More importantly, by educating more Kansas students who stay and work in Kansas, they are more likely to know the value and support the need for well-funded higher education institutions.

Recommendations

The Faculty Salaries and Fringe Benefits sub-committee recommends the following action based upon the positive response from the survey and the comparison data provided above:

1. An implementation committee represented by faculty, unclassified, and classified personnel formed in August 2003. This committee would include key people from Administration and Finance unit, colleges, and classified staff.
2. Charge of the implementation committee is the following:
   a. Define the tuition waiver:
      i. Percent of the tuition
         1. 100% for employee or spouse
         2. 100% for dependents
      ii. Reduced cost per credit hour,
      iii. Employee (6 hours waived per semester),
      iv. Employee to transfer waiver to spouse,
      v. Dependents up to 15 hours per semester and/or
      vi. Undergraduate and/or graduate hours?
   b. Develop the policies for the tuition waiver
      i. Who is eligible? - dependents of employees, employees, and/or spouses/partners
      ii. Employees must be full-time?
      iii. Requirement for tuition waiver eligibility based on number of years employed at K-State?
      iv. Verifying eligibility
      v. Number of hours, courses, or years eligible for waiver
      vi. Role of eligibility for financial aid (grants, scholarships, non-payback aid) and waiver
      vii. Continued eligibility (GPA, parents continue to be employees, etc.)
   c. Review any IRS implications
   d. Develop processes through Registrar's, Cashier's, and Financial Aid
   e. Include recommendation in the FY 2005 Budget Request
3. Provide a yearly report on the number of dependent, employee, or spouse waivers; amount of tuition waived; graduation rates (if applicable); and any problems or adjustments needed.
4. Implementation process and policies completed by December 2003.
5. Implement tuition waivers Fall 2004
6. Every three years review and recommend any adjustments to the tuition waiver prog

Summary

In reviewing this document, many may wonder why K-State would want to jeopardize a portion of their tuition revenue offering a tuition waiver to their employees, dependents and/or spouses. One way to view this is to understand that K-State is not losing tuition revenue when these dependents, employees, or spouses would not have attended anyway. In addition, the dependent, employee or spouse will still be required to pay the required fees. This is additional revenue to support student services, building funds, educational improvements, technology, and the library. The 100% employee tuition waiver is an investment made by the university in their employees to provide professional development opportunities on campus and to encourage life long learning. As a side note, since the general public believes employees at K-State receive dependent tuition waivers, let's make this perception a reality. As one employee commented, "This is an example of how to create a win-win situation because the value of the benefit to the employee is far greater than the cost to the University."

With salaries for all sectors of employment at K-State being non-competitive even in the private sector, this tuition waiver offered to dependents, employees and/or spouses would be a bright spot in a rather dismal economic situation. In fact, for many, this would be the factor that retains them at K-State. The cost of losing one employee is higher in the short run than offering a tuition waiver. By the time one takes into account the recruitment cost, the learning curve, employees remaining at K-State doing more work to cover the loss of an employee in their unit, the research dollars, and more importantly, the expertise, experience, and history gained at K-State, the tuition waiver becomes a benefit to everyone. Basically, K-State needs to move from being the training school for young professors and unclassified professionals and become the school of choice for long-term employment. Finally, many highly qualified, well-recognized and influential faculty and unclassified professionals would apply and interview at K-State because of the tuition waiver, obviously not because of the salary. In addition, there are documented accounts that younger faculty who are in the job market view this benefit as a reason to stay or a reason to leave.

If K-State is committed to retaining good faculty, unclassified professionals, and classified staff, this "non-traditional benefit" needs to be implemented. In addition, the employees at K-State need to know that central administration is deeply concerned about the work environment and morale on campus and every effort is being made to improve these conditions for employees. This is reiterated from a respondent's comment, "This is one of the best ideas I have seen put forward in years and, I believe, has the potential to offer one small bright spot in an absolutely dismal financial climate. This is the type of initiative that one would hope that both our faculty leadership as well as administration would pursue aggressively."

ATTACHMENT 1

SURVEY:

In order to estimate the cost of tuition waivers today and into the foreseeable future, it is necessary to determine the number of dependents of the employees in by age grouping. Please complete the following questions:

1. Dependent children? ____Yes (Continue to next question)
____ No (Continue to question 3)

2. Please indicate the number of dependent children (again, by dependent child, we mean an individual that you claim as a dependent on your federal income taxes and is below the age of 23) falling within each category and your best estimate as to the likelihood that they would attend or continue at K-State if there was a tuition waiver program:

Number		LIKELIHOOD OF ATTENDING K-STATE (check only one - average for more than one child) Very High	Moderate	Very Low
_______	under 10 years old	_____	_____	_____
_______	11 to 14 years old	_____	_____	_____
_______	15 to 18 years old	_____	_____	_____
_______	currently attending K-State (will continue to attend)	_____	_____	_____
_______	currently attending a university/college other than K-State	_____	_____	_____
_______	not attending school	_____	_____	_____

3. In your estimation, how effective would a tuition waiver (like the one proposed above) be in improving the retention, morale, and recruitment of K-State employees (check one)?

_____very ineffective _____ineffective _____effective _____ very effective

4. What is your level of support for this type of program (check one)?

_____very high _____high _____I do not care _____low _____very low

ATTACHMENT 2

Projected Number of Employees with Dependent Children and Tuition Waived

#		Faculty	Unclassified	Classified	Total
	Survey Results:				
1	Number of Respondents	232	222	113	567
2	Number of Respondents with Children	141	126	63	330
	Using the 15-18 year old age range:				

3	Number of 15-18 year olds	35	69	68	172
4	Number of Respondents with at least 1 child in the 15-18 old age range	32	50	59	141
5	Number of respondents that indicated that at least one their 15-18 year old children have very high to moderate likelihood of attending K-State	27	47	51	125
6	Percent of sample with at least one child 15 to 18 year old (row 4/row 1)	13.8%	22.5%	52.2%	24.9%
7	Percent with more than one child per employee (row 3/row 4)	109.4%	138.0%	115.3%	122.0%
8	Percent of sample with at least one 15-18 year old with the likelihood of attending K-State (row 5/row 4)	84.4%	94.0%	86.4%	88.7%
	Population:				
9	Number of employees - October 1, 2002	1,336	1,515	1,815	4,666
10	Projected # employees with at least one 15-18 year old (row 6 x row 9)	184	341	948	1,160
11	Projected number of children between 15-18 years of age (row 10 x row 7)	202	471	1,092	1,415
12	Projected # of 15-18 year olds who have a very high to moderate likelihood to attend K-State (row 11 x row 8)	170	443	944	
	Tuition:	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**
13	20% increase compounded over 4 years (FY 2004 = $3,501)	$4,201.10	$5,041.44	$6,049.73	$7,259.67
14	Average over the four years				$5,638.01