To: Finance & Administration Committee

From: Monica Rimai, PSU Vice President Finance & Administration

Re: Tuition Setting Process AY2013-14

Date: May 13, 2013

The purpose of this memo is to summarize the PSU tuition setting process and tuition recommendations which have been submitted for Academic Year 2013-14 (including Summer Session 2014). The following items were requested from OUS:

1. A description of our institution’s tuition strategy, and how the strategy fits within the overall strategic plans of the institution and system.

2. A description of the process used to ensure student participation in the development of the proposed rates, including a summary of the feedback received from students on the proposed rates.

3. Provide any benchmarks or peer group comparisons that were used to inform the process.

4. A description of how the proposed rates will impact access and affordability on our campus. Include description of how our institution is planning on meeting the Board’s policy of funding at least 12% of unmet need of resident undergraduate students.

5. A summary of how the proposed tuition rates will maintain campus financial sustainability over the fiscal year with projections of E&G Fund Balance at 6/30/14.

6. Submission of specific tuition and fee rates being proposed.
   a) If any new differential tuition rates are proposed, include supporting documentation as per the Board’s Differential Tuition Policy.
   b) If rate increases are proposed, describe how incremental revenues will be deployed.
   c) If institutional boards are approved, potential for annual increases to undergraduate residents limited to 5%; if pertinent to your institution, discuss impact.

In response to the above items, please note that the PSU Tuition Review and Advisory Committee (TRAC), established in FY2010-11, has been renamed (and redefined) as the Student Budget Advisory Committee (SBAC). The SBAC is now a standing committee at PSU comprised of both administrators and representatives from student government that meets throughout the academic year to achieve a better understanding of PSU’s financial environment. The SBAC is designed to solicit student feedback on a variety of fiscal policy issues, including, but not limited to tuition and fees policy. The transformation of TRAC into the SBAC came at the request of the ASPSU for the purpose of providing students with a deeper context for the setting of tuition, and give them a better understanding of PSU’s financial picture and the controlling components of its budget. Ultimately this process resulted in a recommendation to the President from the student members, which was
considered during development of this recommendation. The student recommendations are summarized and discussed later in this document, as well as attached to this memorandum, for your information.

**Recommendation**

Pursuant to the process outlined above, the staff members of the SBAC, and PSU’s University Budget Team recommend a 4.5% increase in base undergraduate resident tuition to take effect with Fall 2013. Further, a 1% increase in base undergraduate nonresident tuition; a 1% increase in base graduate resident tuition; and a 1% increase in base graduate non-resident tuition, also to take effect in Fall 2013.

The increased tuition revenue for 2013-14 is estimated at a net $4.4 million. We have also proposed elimination of the current online fee resulting in an approximate $4.2 million loss of E&G revenue, the elimination of the fee being offset partly from a tuition increase. Thus, PSU is faced with a relatively flat E&G revenue projection going into the next fiscal year.

With regard to differential tuition, only the School of Business has requested an adjustment. In particular, at present, SBA charges three separate tuition rates (cohort A, B and C) and the recommendation is to collapse the three cohorts into one rate. Additionally, the Graduate Certificate in Real Estate is recommended to be added as a program under the School of Business differential tuition schedule. The GCRE is similar to the Master’s Real Estate Development (MRED) wherein courses are taught by both the School of Business and School of Urban Studies & Planning and coordinated through the Center for Real Estate housed under the School of Business. The differential tuition for GCRE students will apply only to new students beginning Fall 2013; continuing GCRE students will not be affected.

**Process and Content**

The following individuals participated as SBAC 2013 members:

Dr. Jackie Balzer, Vice President Student Affairs & Enrollment Management  
Monica Rimai, Vice President Finance & Administration  
Dr. Kevin Reynolds, Vice Provost Academic Fiscal Strategies & Planning  
Alan Finn, Assoc. Vice President, Budget & Finance  
Robin Michell, Manager Budget Planning and Analysis  
Tiffany Dollar, Undergraduate Student Representative  
Sean Green, Graduate Student Representative  
Nick Rowe, Undergraduate Student Representative  
Aimeera Flint, Graduate Student Representative

The committee met four times beginning in November (in addition, the students met once with our budget office representative to review various budgetary scenarios). The committee reviewed and discussed E&G revenue and expenditure data and projections through 2016-17. Significant time at the early meetings was spent discussing the sources and uses of PSU’s budget (primarily E&G), and the level of control that PSU has over each of our major revenues and costs.
Additionally, time was spent discussing the current efforts around the development of a new budget model, and the work being done around strategic enrollment planning including results of a recent price elasticity study. These initial meetings help set the foundation for students to frame the financial challenges facing PSU and facilitated thoughtful discussion regarding the current economic environment.

Student members of the committee voiced their concern that additional resources needed to meet the increasing costs of the institution are generally limited to either increases in state support and/or increases to tuition. Students could not endorse tuition increases per se, and were planning to lobby the Legislature for increased state support. However, noting that there could be a gap in funding for the next biennium, there was discussion around the fiscally prudent approach to a solution where additional revenue is generated from tuition increases and increased student credit hour production (if feasible), balanced by increased efficiencies and/or expenditure adjustments where allowable. Additionally, minimizing tuition increases to maintain affordability accompanied by proportional increases to student need-based aid were proposed.

SBAC members fully recognized the implications that tuition increases have on the student experience. All agreed that PSU students are among the most financially disadvantaged in the state. Accordingly, any increase in tuition runs the risk of undermining PSU’s goals related to access, retention and persistence to graduation.

**Discussion**

The tuition recommendation was generated in the context of the overall PSU budget, looking at all available sources and uses. PSU has limited control over many of the increasing costs; mainly those related to personnel for bargained increases, and PEBB/PERS. There are primarily three mechanisms PSU has to balance its budget: level of enrollment (SCH), tuition rates, and expenditure reductions. It is prudent for each of these “levers” to be used in balancing PSU’s budget. We do not feel it is not a responsible strategy to solve a budget deficit only on the backs of the students. Rather a measured and rational approach that uses all three “levers” is the best strategy for long term fiscal stability. State appropriation is a fourth “lever” over which PSU has no control, but has a significant impact on how the other three are utilized.

PSU engaged Noel-Levitz to conduct a price elasticity study in the Fall of 2012. The study showed that PSU’s current full time undergraduate resident tuition is well within what prospective freshmen regard as an acceptable price. However transfer students are at a point of price sensitivity. The current tuition for full time undergraduate non-resident students has reached a threshold that is at or above what an out of state freshman or transfer student would consider acceptable, as is both resident and non-resident graduate tuition.

Entering into budget planning for fiscal year 2013-14 PSU was facing an approximately $30 million deficit. This deficit will be closed with strategic use of all “levers” with plans for the deficit to be permanently closed by the end of the biennial. Fund balance will be used as long term actions are implemented to balance the PSU budget, however it is not expected the fund balance will drop below the OUS 5% threshold.
Student Input

The SBAC student committee members recognized the current financial position of PSU and believes the best solution is “through a systematic reallocation of funds by the State Legislature…”. They indicated they would be lobbying the State Legislature for additional funding and therefore could not endorse a specific tuition increase. They continued by noting that if a tuition increase was necessary the following was recommended:

- Increases should be minimized to maintain affordability
- Increases must be matched by expenditure adjustments
- Increase should be accompanied by at least proportional increases to need-based aid
- Increases should be made with consideration of the following values
  - Students should be provided with more resources
  - University should become more service oriented
  - Academic rigor should be maintained or strengthened
  - A dialog should continue with students concerning the direction of PSU
- Specific recommendations were made relating to financial counseling, implementing a 4 year guarantee, process transformation and other issues related to the above values

They close by recognizing a need for careful, planful, and strategic change.

Financial Aid

PSU recognizes that our population of students have a low ability to pay and we currently are not able to provide sufficient financial aid to meet OUS recommended levels of unmet need. PSU has engaged with Noel-Levitz to assist in using our fee remissions in a more strategic manner. We already implementing changes that will allow us to be more efficient with remission dollars, and provide the right amount of aid to the right students.

Please contact me if you have any questions regarding the 2013-14 proposed tuition recommendations for PSU.
To: President Wim Wiewel  
From: Student Budget and Finance Advisory Committee  
Date: 5 March 2013  
Subject: 2013-14 Tuition Recommendations

This memo presents the tuition recommendations of the Student Budget and Finance Advisory Committee (SBFAC) for the 2013-14 academic year. We proffer guiding principles to inform any changes that may be made to tuition and policy recommendations to make tuition increases more easily absorbed by Portland State students.

The Tuition Review and Advisory Committee (TRAC), established in 2011, created a process for students to give tuition recommendations. We would like to thank the President for creating the SBFAC which implements a recommendation from the 2012 TRAC. The change gives students an opportunity to go more in depth with the PSU’s budget and to advise not only on the tuition level, but other decision that impact the budget.

This Committee recognizes the bleak financial circumstances in which Portland State University resides. Having reviewed the budget forecasts from the University Budget Office, it is quite clear that absent new revenue streams, greater contributions from existing revenue streams, or precipitous cuts to PSU’s existing cost base, there will be a large budget deficit. **We believe that the best way to meliorate the current financial crisis is through a systematic reallocation of funds by the State Legislature to the Oregon University System (OUS).** The OUS has seen funding decrease by nearly $180 million dollars over the past two biennia. Further divestment will be disastrous.

Furthermore, we believe that the state funds that OUS already receives are inequitably distributed with the use of the Resource Allocation Model. Portland State University students experience higher financial need, higher costs of living, and have less access to scholarship (in part due to less philanthropic support), yet are treated the same in terms of per-student state funding as a student, with lesser need and more institutional financial aid, at University of Oregon or Oregon State University. All of these institutional arrangements are outside the control of PSU.

If the State Legislature persists in the systematic defunding of the Oregon University System, the tuition rates at Portland State University will need to increase. We cannot, however, as students endorse a specific rate increase since we plan to lobby the legislature for increased funding for higher education. In past years legislators have pushed back on increasing the OUS allocation due to the fact that students had expressed support of balancing the budget with tuition increases before seeking increased state support. This is mostly due to the budget timeline, since tuition requests are due before the budget allocation.
We will note here, then, that our acknowledgement that tuition will need to increase is contingent on a continued divestiture from Oregon public higher education by the State legislature. Given this contingency our recommendations are the following:

- Increases to tuition should be minimized to maintain affordability.
- Revenues generated by increased tuition must be matched by expenditure adjustments in areas where this is allowable.
- Any tuition increase must be accompanied by at least proportional increases to student need-based aid.

There are additional steps the University can take to make any tuition increase more palatable for students. The following values guide our recommendations: that students should be given more resources to assist in the management of their finances (especially given the increased reliance on loans to pay for college); that the University becomes more service oriented and efficient (including the path to a degree); that academic instruction and rigor be maintained and/or strengthened; lastly, that a dialogue continue with students concerning the direction and future of the University. We believe our recommendations facilitate positive academic and administrative outcomes (e.g., more efficient degree attainment), thereby increasing the affordability, value, and experience associated with a PSU degree.

**Recommendations**

- Create a program to provide financial counseling/planning for all incoming students, including transfer students, to start in fall 2013. While this program should be operated by professional staff, many universities have had success implementing a peer financial counseling program.
- PSU should continue efforts to be more service oriented by transitioning all processes/forms online and creating a public feedback mechanism for programs and courses by fall 2013.
- PSU should implement the 4-year Degree Guarantee in fall 2013 for first-time freshmen for a majority of bachelor degrees as selected by the Provost. Additionally, PSU should start a degree guarantee for transfer students in multiple majors and colleges, as selected by the Provost, in fall 2013. The 4-year Degree Guarantee and the transfer guarantee should ideally be implemented in all bachelor of art/science programs by fall 2014.
- **Academic quality and consistency** should be promoted by ensuring that identified core competencies are linked to the course material and syllabus. Academic department should coordinate multiple sections of the same course--including course material, pace, and academic rigor--to ensure consistency, continuity within an academic program, and that students will have the same core competencies regardless of which course section they enroll.
- Online courses are becoming more important with a new paradigm emerging in higher education. To this end, we would like PSU to ensure that online courses are of high quality and that student not be charged more to take an online course.
• PSU’s ability to meet the financial challenges that we face and continued ability to provide meaningful educational opportunities will likely require fundamental changes. We would like PSU to involve students in the development of a plan/strategy to meet current and future challenges.

The financial situation that PSU faces is bleak. Without additional revenue, either from the State or tuition, there will be a chronic budget deficit. Additionally, fundamental structural changes will be necessary for the long-term survival of PSU. However, these changes will take time. We are not making a specific tuition recommendation because it would jeopardize the ability of students to lobby for additional funding from the State Legislature. We do, however, recognize that absent additional revenue, tuition will need to increase. However, with careful forethought and planning, changes can be made to the structure and programs of PSU that will encourage and facilitate positive academic outcomes that may be able to offset the negative effects of any tuition increase. We appreciate this opportunity to continue conversations about affordability and quality. With this in mind, we respectfully urge the President to implement the recommendations presented above.

Respectfully,

Sean Green
Tiffany Doffar
Nick Rowe