HIGHER EDUCATION COORDINATING COMMISSION

FUNDING AND ACHIEVEMENT SUBCOMMITTEE
May 24, 2016

Docket Item:

Public University 2017 Tuition Reports (Chapter 840, Section 30, Oregon Laws 2015)

Summary:

SB 501 (2015) requires public universities that increase either tuition or mandatory enrollment fees by greater than 3 percent to file a report justifying the increase with the HECC and the Joint Committee on Ways and Means:

- *(1) Notwithstanding any law limiting tuition and mandatory enrollment fee increases at public universities listed in ORS 352.002, if a public university listed in ORS 352.002 increases either resident undergraduate tuition or mandatory enrollment fees by more than three percent for the 2016-2017 academic year, the public university must report the justification for the increase to the Higher Education Coordinating Commission and the Joint Committee on Ways and Means, or the Joint Interim Committee on Ways and Means.*
- *(2) Subsection (1) of this section does not apply to public universities currently subject to existing financial agreements or plans with the Higher Education Coordinating Commission, or to four-year tuition guarantees or high cost, high demand degree programs that currently charge differential tuition.*

Docket Material

The following table summarizes the report-triggering increases for each public university:

Increases by Institution		
Campus	**Tuition**	**Fees**
EOU*	3.91%	0%
OIT-Klamath Falls	3.00%	0%
OIT-Wilsonville	3.00%	0%
OSU-Cascades	**3.32%**	0%
OSU-Corvallis	2.11%	0%
PSU	**4.00%**	**3.81%**
SOU	3.00%	23%
UO	**4.76%**	**3.44%**
WOU	2.64%	**7.01%**

*Proposed only, not yet approved.

Eastern Oregon University and Southern Oregon University both are exempt from the reporting requirement due to existing financial agreements with the HECC. Academic year 2015-16 and academic year 2016-17 Tuition and mandatory enrollment fees for the remaining five public universities were reviewed by HECC

staff to determine if the 3% reporting threshold is exceeded. Four qualifying institutions exceeded the reporting threshold: Oregon State University-Cascades, Portland State University, University of Oregon, and Western Oregon University. The following tables summarize the qualifying increases and the justifications provided by each of these institutions.

Tuition Increase Justifications	
Institution/ Campus	**Tuition**
OSU-Cascades	●Desire to align tuition rates at Cascades with those at the Corvallis campus ●Hire needed faculty
PSU	●E&G cost increases (Benefit costs, salary increases/new positions, PERS retirement costs)
UO	●Cost increases and strategic investments (Salary, benefit costs, IT)

Fee Increase Justifications		
Institution/ Campus	**Fees (Contribution to total increase)**	**Justification**
PSU	●Rec Center fee increase (1.43%) ●Health Services fee increase (2.38%)	●Rec Center ◦Increased costs ◦Decreasing fee revenue ●Health Services ◦Increased costs
UO	●Health fee (3.44%)	●Increased costs
WOU	●Health fee (1.87%) ●New Health Building fee (5.14%)	●Health ◦Increasing salary & supply costs ◦Increasing demand for services ●Health Building ◦Funds portion of new $3.9 million Health Building

The Emergency Board Interim Subcommittee on Education received the institutional justification reports at its May 23 meeting.

Staff Recommendation:

Acknowledge receipt of the institutional reports.

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May 19, 2016

To: Joint Interim Committee on Ways and Means and the Higher Education Coordinating Committee

From: Sherman Bloomer, Director, Budget and Fiscal Planning, Oregon State University

Re: Report on justification for tuition or mandatory enrollment fee increases over 3% for fiscal year 2016-17

There are no increases in Oregon State University's mandatory enrollment fees reported here for the 2016-17 academic year, for either OSU campus.

Tuition rates for resident undergraduate students at the Corvallis campus will increase 2.11%. This represents a $4 per credit hour increase to $187 per credit hour.

Undergraduate resident tuition at the Bend campus will increase 3.32% or $6 per credit hour to $180 per credit hour. The $2 extra per credit hour increase at Bend over Corvallis is to begin to align the tuition rates at Bend and Corvallis. The Bend campus, as a four-year university, will be offering degrees and credentials aligned with departments and programs at Corvallis and will require similar resources.

The tuition recommendation was developed by the University Budget Committee, which includes staff and student representatives from OSU-Cascades. The discussions included a review of tuition at peer institutions and projections of budget needs. A forum open to all members of the Cascades campus community was held to discuss the recommendations and provide feedback to the President and the Board.

The largest cost driver at Bend is the need to hire faculty and staff to develop and offer the additional courses and majors required for the four-year campus in central Oregon. The tuition increase will provide about an additional $145,000. The budget for institutional financial aid (tuition waivers or remissions) will increase by $78,000 and almost all of that increase will benefit resident students. The balance of the increase will help support hires of new faculty and staff essential to the development of four-year programs.

A reduction of the increase to 2.8% (a $5 per credit hour increase) would decrease revenue by $22,000 and would slow the transition to aligning tuition at the two campuses and require finding the additional revenues for part of one faculty hire.

Portland State University
Tuition and Fees Increase 2016-17
Executive Summary

Beginning in September 2014, Portland State University engaged in an effort to develop a strategic plan to guide the University through the next five years. The resulting document, approved by the PSU Board of Trustees in December 2015, emphasizes initiatives that elevate student success, keep college costs affordable and advance excellence in teaching and research. These elements served as the guiding principles in the development of the PSU 2016-17 Tuition and Mandatory Fee proposal, attached hereto as Exhibit 1, which was approved by the Board on March 31, 2016.

The tuition setting process was a collaborative effort that spanned several months and involved numerous stakeholders on campus. Throughout the process, the Student Budget Advisory Committee, which includes student, staff and faculty members from across campus, met four times to review the University's financial condition and to consider the direction PSU should take on tuition to plan for future fiscal years. In addition, representatives from the Finance and Administration unit presented at two Student Senate meetings to engage in discussions and solicit feedback from the student population. Lastly, the Board of Trustees' Finance and Administration committee discussed projected multi-year budget scenarios based on varying levels of tuition changes to develop future year budget expectations that balance financial sustainability and affordability. The views and concerns of these campus groups were heard and considered in development of the tuition proposal.

E&G expenditures demonstrate a clearly upward trend at PSU, with an average annual increase in costs of 4.3% over the last five fiscal years despite concurrent budget reductions that occurred between FY13 and FY15. This expenditure growth is a result of the compounding effect of increases in benefits costs, salary increases and creation of new positions in the last fiscal year. PERS retirement costs have increased by 79% over the last five years, and that trend is expected to continue with employer contribution rates forecasted to increase through the next three biennia. At the same time, health care benefit costs, as set by PEBB, have increased reflecting the national trend of rising health insurance costs which is projected to continue into FY17. Salary increases which exceed inflation are also a contributing factor to the expenditure increases, and the most recent collective bargaining agreements with PSU's two largest labor unions show that this will continue for FY17 and beyond.

The final cost drivers for FY17 are strategic investments which mostly involve increasing personnel. Despite the overall budget reductions referenced above, PSU has made targeted personnel hires consistent with the strategic plan commitment to advancing excellence in teaching and research. Alongside these hires, the increased state funding PSU received for FY16 and FY17 has provided an opportunity to continue adding faculty as well as advisors and other key positions that contribute to student success. As shown on the attached strategic investment summary (Exhibit 2), additional investments are budgeted in these areas for FY17 in accordance with the strategic plan goals.

While we project generating $9.4 million in additional revenue in FY17 (over FY16 budget) largely from our state allocation, PSU's costs are projected to increase by $15 million producing a gap that, if not closed by a tuition increase, would have forced significant budget reductions and compromised our strategic initiatives. As mentioned above, the tuition setting process included discussion and analysis of multiple budget scenarios with the Board F&A Committee. These scenarios modeled our projected revenue and expense budgets based on three different increases to resident undergraduate tuition including no increase, a 3% increase and a 4% Increase. Both of the first two options resulted in

multimillion dollar operating deficits and put PSU in a poor financial position relative to future year cost increases.

The approved 2016-17 tuition and mandatory fee increases are listed in detail on pages eight and nine of the attached proposal. In terms of resident undergraduate tuition, there will be a $6 per credit hour increase in tuition. Due to cost drivers in our fee funded areas, including Student Health and Counseling and Campus Recreation (see Exhibits 3 and 4), there will also be an $11 per term increase in mandatory fees. This translates to a 4% increase for tuition, a 2.6% increase for all mandatory fees and a combined increase of 3.77%. Per term, the total increase for a student taking 15 credits would be $101, which corresponds to an overall increase of $303 for the academic year (not including summer).

As shown on Exhibit 5, the 2016-17 increase does represent the largest annual increase over the last four years. However, the average increase equates to 2.23% which tracks closely with average inflation over that same timespan. In addition, Exhibit 6 shows that our FY16 rates were below average compared to our peers and were second lowest among Oregon's four year public institutions. An early survey for FY17 shows that even with a 4% increase, PSU will remain near the bottom of both our peer group and the group of Oregon schools when it comes to total resident undergraduate tuition and fees.

One of the principles that guides budget development at PSU is a commitment to ensure that any tuition increase is accompanied by proportional increases to student tuition remissions. Given flat enrollment projections, the 2016-17 tuition rates are expected to generate an additional 2.6% in net tuition revenue. As such, PSU will be increasing the tuition remission budget by $750,000, or 3.9%. Furthermore, as listed on Exhibit 2, one of the approved strategic investments that was made possible by the tuition proposal was a $250,000 recurring allocation for a Student Hardship Fund that brings the total remission increase to $1,000,000, resulting in a 5.3% increase over the FY16 budget.

Looking ahead to 2017, PSU and its Board of Trustees have established joint expectations in carrying out the strategic plan while maintaining long term sustainability through a balanced budget with adequate reserves. The challenge we face in achieving these goals is the continuation of upward pressure on our costs, combined with limited revenue growth opportunities from tuition and state resources and the responsibility of ensuring accessible and affordable education for our students. The 2016-17 tuition proposal represents a balance between these expectations and challenges in utilizing modest tuition increases to minimize budget reductions. Nevertheless, the push continues for PSU to contain the cost of education through the pursuit of strategic growth in other revenue streams and identifying efficiencies that mitigate the University's cost drivers.

Exhibit 1

To: President Wim Wiewel

From: Kevin Reynolds, Vice President, Finance & Administration and Chair, Student Budget Advisory Committee

Date: March 1, 2016

RE: Tuition and Mandatory Fee Proposal 2016-2017

Tuition Setting Process

Portland State University engages in a collaborative tuition setting process with guidance provided by the Student Budget Advisory Committee (SBAC), which includes students and staff from the Academic Affairs, Enrollment Management and Student Affairs, and Finance and Administration divisions, including: Andria Johnson, Finance & Administration; D. Keikoanne Hollins, student; Dana Ghazi, student; David Martinez, student; Devon Backstrom, student; John Fraire, Enrollment Management & Student Affairs; Josephine Claus, student; Kevin Reynolds, Finance & Administration; Laura Nissen, School of Social Work; Liddy Champion, student; Scott Marshall, Academic Affairs; Trevor Jacobson, student; Zachary Brill, student; and Tammy Sandberg, Finance & Administration. To consider the direction the university should take on tuition for the 2016-2017 academic year, SBAC met four times from November 2015 to February 2016 to review the university's financial condition and budget forecasts for the coming years.

A number of the student representatives were unable to attend the SBAC meetings. In order to solicit greater input, Andria Johnson and Kevin Reynolds presented at two Student Senate meetings. The first meeting on February 1st provided an overview of the University budget, while the second on February 17th provided the specific recommendations contained herein. At each meeting there were robust discussions and thoughtful questions from the students.

The views and concerns of SBAC, including the student members, were heard and considered in development of this tuition recommendation.

Budget Context

In Spring of 2015, in its first full year of fiduciary oversight, Portland State's Board of Trustees approved both a university tuition rate increase and the 2015-2016 budget. The budget presented and approved for the 2016 fiscal year accomplished the goal of balancing revenues and expenditures (after four years of structural deficits) with assistance from additional state funding secured in a successful legislative session and a modest tuition increase. For the first time in four years, the university was able to plan for inflationary cost increases, make some strategic investments to impact student success, direct resources to targeted academic programs and engage in efforts to address needs neglected through multiple years of budget reductions, including beginning to increase the university central reserves that had been substantially depleted.

As we plan for 2017, the university and the members of the Board of Trustees' Finance and Administration committee have established joint expectations including: a balanced budget with a positive operating

margin, continued liquidity improvements, modest tuition increases, and finding additional cost savings that do not impact students and the university's core mission.

The challenge we face in achieving these goals is the continuation of upward pressure on our costs, combined with more limited revenue growth opportunities from tuition and state resources, and the responsibility of ensuring accessible and affordable education for our students. While we project generating $9.4 million in additional revenue in FY17 (over FY16 budget) largely from our state allocation, our costs are likely to increase by $15 million producing a gap that, if not closed by a tuition increase, will force significant budget reductions. The following data provides details on historical revenue and our expectations for the coming years, as well as an outline of the most significant drivers of increased costs. The intent is to lay out the multitude of factors which both drive costs and limit revenue, and the collective responsibility Portland State has to find long term solutions to make higher education accessible.

Revenue Generation

	2011	2012	2013	2014	2015	2016**	Change 2011-16	% Change 2011-16
Tuition	$ 186,454	$ 197,547	$ 200,564	$ 204,649	$ 208,234	$ 217,868	$ 31,414	16.85%
Student Fees	$ 10,424	$ 11,892	$ 12,630	$ 13,103	$ 14,557	$ 13,450	$ 3,026	29.03%
Tuition Remission	$ (11,955)	$ (15,530)	$ (15,527)	$ (17,036)	$ (17,478)	$ (18,896)	$ (6,941)	58.06%
Net Tuition & Fees	$ 184,923	$ 193,909	$ 197,667	$ 200,716	$ 205,314	$ 212,422	$ 27,499	14.87%
Gov't Resources & Allocations	$ 72,169	$ 56,449	$ 56,243	$ 60,506	$ 67,994	$ 77,578	$ 5,409	7.49%
Other Revenue*	$ 13,346	$ 13,843	$ 13,926	$ 22,229	$ 20,436	$ 20,384	$ 7,038	52.73%
Total E&G	***$270,439***	***$264,201***	***$267,836***	***$283,451***	***$ 293,743***	***$ 310,383***	***$ 39,945***	***14.77%***

** Includes grant indirect cost revenue, gifts, grants and contracts, interest income and other*

***Adopted Budget*

State Allocation. The 2015-2017 biennial budget approved by the state legislature brought some welcome relief from the steady erosion in support for higher education seen over the last decade. Portland State's allocation was further enhanced by the adoption of the Student Success and Completion Model (SSCM) by the Higher Education Coordinating Committee (HECC) that considered PSU's significant role in graduating Oregon students in several targeted populations. Together these factors increased our state allocation by 23% to $83 million, thereby exceeding the 2008 peak of $73 million. It also exceeded the $77 million budgeted (see table above) for fiscal year 2016 allowing for a reduction in the planned tuition rate increase. It permitted investment in faculty and academic advisors, provided funding for students facing financial hardships, and supported positions associated with campus safety as well as compliance with federal and state laws and statutes.

The 2016-2017 fiscal year will be the second year of the biennium and our state allocation will increase by approximately $5 million over the final 2016 allocation resulting from the state's practice of funding its biennial allocations at 49% in the first year and 51% in the second. This increase will allow the university to make additional strategic investments and partially offset expenditure increases.

The increase in state funding was unquestionably significant and important to PSU and our students. There was an expectation and collective agreement that the additional funding be committed to endeavors that support students and our core academic mission rather than to increasing university reserves. As a result, many of the investments made add recurring costs that contribute to the overall costs drivers for fiscal year 2017 and beyond. Indeed, as we look beyond 2017, it is likely that the ability of the state to continue expanding higher education funding will be limited. Economic conditions present a persistent threat to state revenue generation given Oregon's reliance on income taxes as its primary source of revenue. And, the Oregon Supreme Court decision to overturn legislative PERS reforms will greatly impact the 2017-2019 and and following two biennial budgets statewide. Thus, while it is prudent to plan for a future in which state allocations will increase minimally, or potentially even be reduced, we should also acknowledge that we have undertaken a number of investments that increase our recurring costs.

Enrollment. During the economic recession, as state funding decreased, Portland State's enrollment surged. That trend reversed itself as economic conditions improved: PSU saw its largest ever class of graduates in 2012 with 6,595 degrees granted. At that point, the number of full-time equivalent students and student credit hours (SCH) generated started to decline. Since 2011 we have seen an overall 5% decrease in SCH.

Annual Student FTE and SCH 2011-2016:

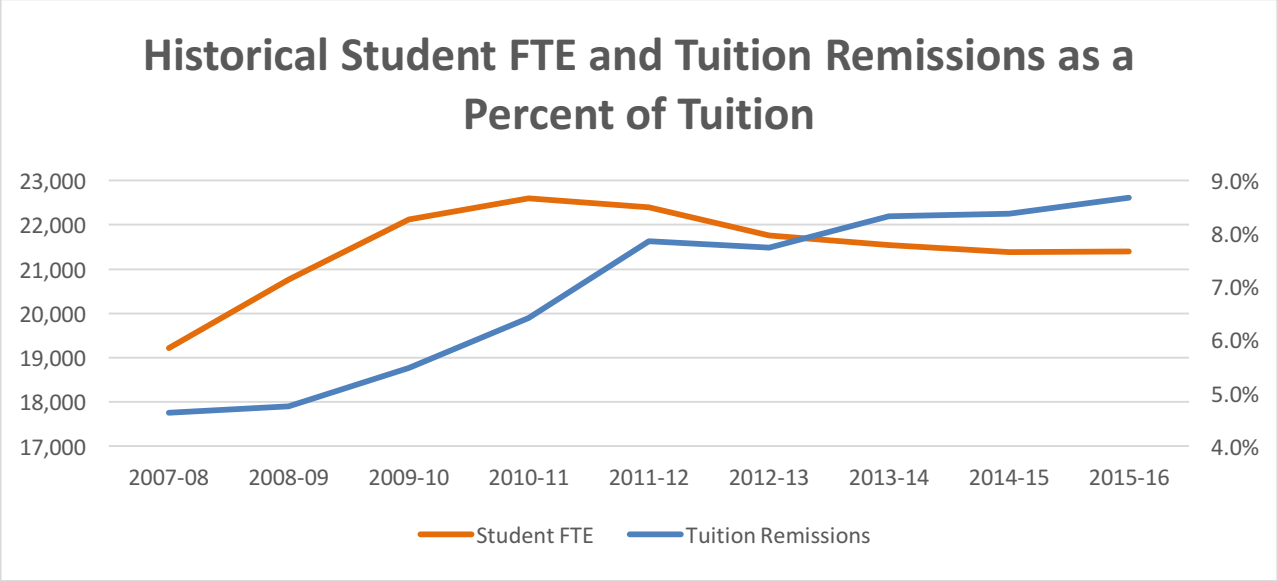
	2011	2012	2013	2014	2015	2016 *Projected*
Student FTE	22,601	22,403	21,763	21,546	21,389	21,403
Student Credit Hours	967,653	961,555	936,948	928,342	920,567	914,079

It is worth noting that we had predicted enrollment growth for 2016, and had budgeted additional expenditures associated with this. As a result of both lower enrollment and the reduction in the planned tuition increase, we anticipate generating $1.6 million less in tuition revenue than originally budgeted for the current fiscal year. Much of this shortfall was expected and was covered by the increased state funding, although it means we are building the 2017 budget from a lower overall tuition base.

There is good reason to suggest the trend of flat enrollment is likely to continue and the gap between revenue and expenditures will not be closed by increased enrollment. First, the numbers of students graduating from Oregon high schools peaked in 2011 and has been in decline since, with an increase not expected before 2020-2021 (www.wiche.edu/news/release/16626). Also, Portland State is highly dependent upon transfer students from community colleges where enrollment has also declined. The impact of the newly adopted Oregon Promise program providing nearly free community college to fall 2016 Oregon high school graduates is unclear, but it is not unreasonable to think it will attract first year students into the state's community colleges. If the program increases the numbers of students who transfer to four-year programs in the future, the impact will not be felt until the fall of 2018 at the earliest.

In recent years, having a greater proportion of non-resident students who pay higher tuition rates, has tended to moderate the effect of declining enrollment on our revenue generation. A continued shift in our resident vs. non-resident student mix is unlikely given numerous factors including the impact of higher non-resident tuition, several economic and political factors that impact international student enrollment, and efforts by states such as California to provide additional higher education funding in order to keep their own resident students.

Finally, concurrent with decreased overall enrollment, tuition discounting has increased, as shown below. The graphic shows the significant enrollment increase experienced from 2007-2010, along with the decline since the 2010-2011 peak. Note that the tuition remissions figures shown reflect university tuition remissions and do not include graduate assistant tuition remissions, which are included in expenditure budgets.



Increased tuition remissions are part of an important effort to narrow the gap between students' financial need and total financial aid provided, and are an important strategy for student recruitment. That said, a trend of higher levels of discounting for fewer students raises concerns that warrant further analysis and consideration of their significant impact on net tuition revenue.

Summary. It is clear that our expectations for revenue growth should be conservative given that state support is cyclical and subject to broad economic conditions and competing state priorities, and that enrollment growth is very likely to be minimal, if not declining. Overall, the major drivers of the university's revenue are stable, but not growing to meet the increased costs we will experience.

Expenditures

E&G expenditures, as shown in the chart below, demonstrate a clearly upward trend with an average annual increase in costs 4.3%. These increases exceed standard measures of inflation (CPI) and have occurred during a period of a moderate decrease in overall student enrollment. Furthermore, this cost increase has happened even while significant budget reductions were implemented. As detailed below, the expenditure growth is a result of the compounding effect of increases in benefits costs, salary increases and creation of new positions in the last fiscal year. These factors also contribute to cost increases in fiscal year 2017 and subsequent years.

E&G Expenditure History Fiscal Years 2011-2016 (000s):

	2011	2012	2013	2014	2015	2016*	Change 2011-16	% Change 2011-16
Salary & Wages	$134,885	$141,481	$147,967	$153,249	$151,473	$161,118	$26,233	19.45%
Benefits:								
Retirement	$16,780	$23,163	$24,805	$25,848	$25,979	$30,087	$13,307	79.30%
Health	$24,550	$25,812	$25,777	$27,096	$25,473	$29,605	$5,055	20.59%
Other Pers. Exp	$10,852	$11,699	$11,822	$12,364	$12,846	$13,418	$2,566	23.65%
GA Fee Rem.	$6,655	$6,601	$6,386	$6,387	$6,300	$6,936	$281	4.22%
Services & Supplies	$58,014	$59,270	$67,431	$58,958	$64,825	$69,220	$11,206	19.32%
Total E&G	***$251,756***	***$268,026***	***$284,188***	***$283,902***	***$286,897***	***$310,383***	***$58,647***	***23.30%***

**Adopted Budget*

Our retirement benefit costs are driven to a large extent by the state-managed Public Employees Retirement System (PERS) and PSU has seen cost increases of 79% or $13.3 million over the last five years, which is an average annual increase of 15.8%. This trend will continue with employer contribution rates for PERS forecast to increase through the next three biennia, with the increased contribution rate for 2017-2019 expected to increase Portland State's retirement costs by approximately $11 million. Health care benefits costs are set by the Public Employees Benefits Board (PEBB), and these have increased, albeit at a slower rate that the retirement costs, reflecting a national trend of increasing health insurance costs. Increased health insurance premiums are forecast for January 2017 and are a component of the cost drivers for next year.

Salary increases which exceed inflation are also a contributing factor to the expenditure increases in the period 2011-2015. As indicated in the E&G Expenditures chart, salary costs from 2011 to 2016 have increased by 19.45% which equates to approximately $26.7 million in additional costs annually over the beginning of the period shown.

Increase in Base Salaries By Major Employment Categories:

	2011-2013*	2013-2015*	FY16
AAUP	8.2-8.37%	6.52-8.93%	TBD
SEIU	2.95-6.91%	3.5-10.61%	2.25-9.5%
AFT	1.4-8.2%	0.4-6.0%	TBD
Unrepresented	8.2-8.37%	0-4%, 2.16% Average	3% Average

**Data represents percentage range over each biennium*

For FY17 the increase for base salaries for SEIU have been negotiated and follow the previous 5-year trend. Increases for other employee groups have not yet been established and we are still in collective bargaining with several of the unions. The cost increases for FY17 are based on an assumption that salary increases continue to exceed inflation. The recently legislated increase in the Oregon minimum wage provides an additional driver of increased costs for FY17 and beyond. These cost increases also exceed inflation and will be reflected both in the E&G budget and in other areas of the University, including those funded by student fees.

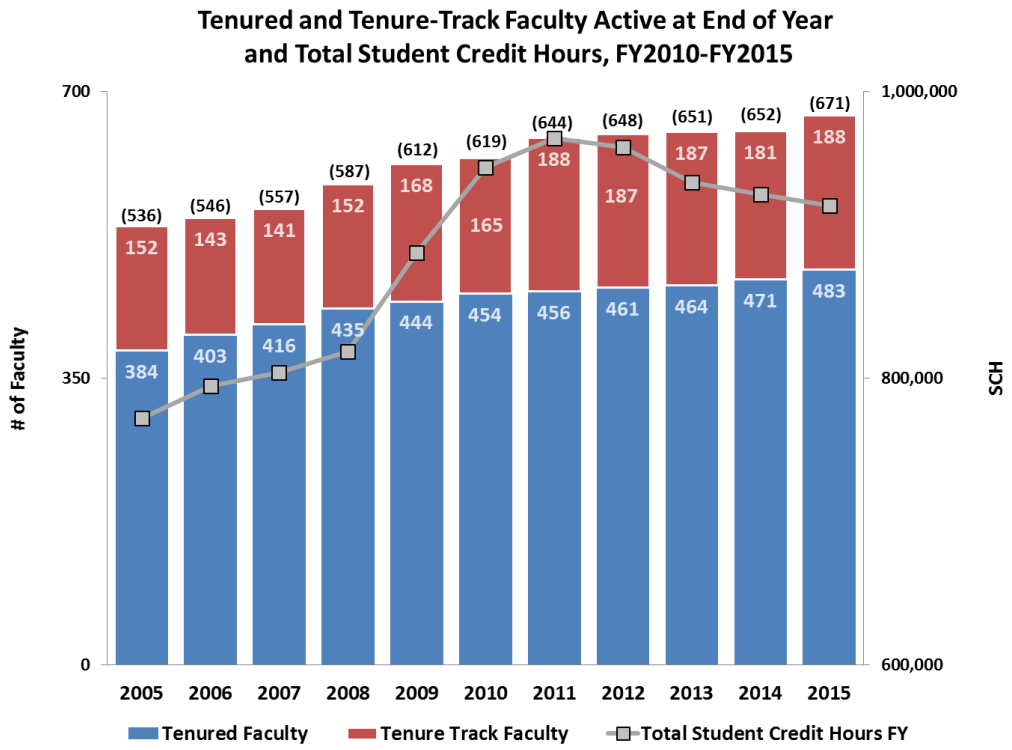
The final cost driver of both salary and benefits is increased personnel. As indicated above, we have engaged in very difficult cost-cutting initiatives over the last several years, including numerous terminations and offering incentives for retirement. Since 2011, there have been over 100 employee terminations

associated with budgetary constraints and 50 participants in a retirement incentive program. Indeed, the university reduced budgets campus-wide in the 2012-2015 period as follows.

E&G Budget Reduction History:

Fiscal Year 2012-2013 (FY13)	Fiscal Year 2013-2014 (FY14)	Fiscal Year 2014-2015 (FY15)
$7,454,000	$5,734,000	$6,460,000

The reductions were undertaken with the specific intent to protect revenue generation and our core academic mission, and while we have accomplished that goal, the choices have become more and more difficult. Despite the overall staff reductions, we have made targeted personnel hires. For instance, consistent with the strategic plan and our commitment to advancing excellence in teaching and research, Portland State has increased the number of tenure and tenure-related faculty positions since 2011, despite the overall decline in enrollment, as shown in this graph:



As described earlier, the increased state funding for the 2016 and 2017 fiscal years has provided an opportunity for us to continue adding faculty and make additional investments in advisors and other key positions which have been neglected due to budget cuts. The combined effect of these investments contributes to the overall cost drivers for fiscal year 2017. Despite these additions, the university remains lean with additional budget reductions likely to force decisions that do threaten academic programs and potentially students' progress to degree.

In contrast to the university's revenue picture which is likely to be stable but not increasing, the university's costs are increasing driven by salaries and benefits costs as just described. These competing pressures make

it certain that college costs will continue to strain families and pose a significant hurdle for Portland State's students.

College Affordability and Student Perspective

While Portland State works to balance the competing pressures of maintaining an academic program that delivers value to students, they and their families face the ever increasing challenge of paying for it. There are many sources of data on the relative financial burden of college tuition, and many analyses presented on websites, news outlets, and in political campaigns seeking to contrast the rise in tuition relative to various indexes. To illustrate the point, the table below demonstrates that PSU's tuition for its largest student population, resident undergraduates, does indeed take a larger and larger portion of the median Oregonian household income. The percentage of PSU's annual tuition for a full-time undergraduate resident student compared to the median household income in the State of Oregon increases and decreases over the 24-year period shown, and has trended down in the most recent years as state allocations have been directed toward tuition buy-downs. However, it is clear that the overall trend over more than two decades is that students and families shoulder a larger share of tuition costs:

	Tuition[1]	Median Household Income[2]	Ratio		Tuition[1]	Median Household Income[2]	Ratio
1990-1991	$1,917	$29,281	6.5%	2002-2003	$3,873	$41,802	9.3%
1991-1992	$2,538	$30,190	8.4%	2003-2004	$4,278	$41,638	10.3%
1992-1993	$2,658	$31,927	8.3%	2004-2005	$4,761	$40,994	11.6%
1993-1994	$2,826	$33,138	8.5%	2005-2006	$4,959	$44,159	11.2%
1994-1995	$3,060	$31,456	9.7%	2006-2007	$5,210	$47,091	11.1%
1995-1996	$3,183	$36,374	8.8%	2007-2008	$5,765	$50,236	11.5%
1996-1997	$3,342	$35,492	9.4%	2008-2009	$6,147	$51,727	11.9%
1997-1998	$3,357	$37,247	9.0%	2009-2010	$6,764	$49,098	13.8%
1998-1999	$3,438	$39,067	8.8%	2010-2011	$7,130	$50,602	14.1%
1999-2000	$3,468	$40,619	8.5%	2011-2012	$7,764	$51,775	15.0%
2000-2001	$3,525	$42,499	8.3%	2012-2013	$7,653	$56,307	13.6%
2001-2002	$3,720	$41,273	9.0%	2013-2014	$7,788	$58,875	13.2%

[1]Portland State University historic tuition rates downloaded on 2/19/16:
http://www.oirp.pdx.edu/source/port1415/2_5.xls

[2]Median household income data downloaded from U.S. Census Bureau on 2/19/16:
http://www.census.gov/hhes/www/income/data/historical/household/

Compounding the overall problem of affordability, Portland State serves more Pell-eligible students than any other Oregon university and we maintain a strong connection to our historic position as Oregon's access institution. Paying for college is a real and growing problem for our students, with no indication that the trend in expenditure growth and cyclical nature of state funding, will reverse itself. The proposal to increase tuition is not taken lightly.

The response from the student members of the Student Budget Advisory Committee (attached) recognizes the cost drivers described herein, the need for a solvent institution, and the inevitability of a tuition increase,

but notes they are unable to support the increases because of the impact on students: "Students struggling to meet financial obligations is why student representatives are fundamentally unable to support increasing tuition and fees. We recognize that these increases may be necessary, but we're unwilling to openly support such action. Every dollar cost increase to students is an increased burden for them to carry, and will inevitably cause some to cease their college careers."

Portland State University 2016-2020 Strategic Plan

The financial challenges presented for 2017 are likely to become greater in subsequent years. The PSU strategic plan has five goals. The goal of elevate student success calls on us to "put students first" and to put in "place new strategies to contain the cost of completing a degree." The goal of innovate for long-term stability calls on us to "pursue strategic growth of revenue streams," to ensure "sufficient reserves through the cyclical nature of higher education," and to "eliminate or modernize practices or systems." In order to contain the cost to a student of completing a degree, Portland State will need to 1) moderate salary increases so that they are more in line with inflation; 2) find efficiencies that reduce rather than increase the overall employee:student ratio; and 3) find a reprieve from escalating retirement costs.

Tuition Recommendation

The following is my tuition recommendation for the 2016-2017 academic year. The recommendation is based on the circumstances outlined above and the expectations we have established for the FY17 budget with the Board of Trustee F&A committee.

	Increase Per Student Credit Hour	% Increase
Undergraduate:		
Resident	$6	4.00%
Non-Resident	$18	3.56%
Graduate:		
Resident	$12	3.37%
Non-Resident	$20	3.60%

With these proposed tuition rates, the university will be able to present a balanced budget to the Board of Trustees for approval at its June meeting. The cost increase to full-time resident undergraduates will be $90/term, or $270 per year, and for non-residents $270/$810, respectively. Resident graduate students, assuming a 12 credit load, will increase $144/term, or $432/year and non-residents, $240/$720, respectively.

The following is an historical perspective of tuition increases since 2011:

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 *Proposed*	Average Increase
Resident Undergraduate	8.90%	-1.43%	2.23%	-0.38%	3.45%	4.00%	2.80%
Resident Graduate	6.32%	-1.74%	1.12%	1.06%	3.20%	3.37%	2.22%
Non-Resident Undergraduate	6.20%	-0.52%	1.01%	0.97%	2.96%	3.56%	2.36%
Non-Resident Graduate	6.28%	-0.81%	1.10%	1.06%	3.20%	3.60%	2.41%

Mandatory Fees:

Enrollment Management and Student Affairs recommends the following increases to two of the four mandatory student fees:

	2015-2016 Rate	Proposed 2016-2017 Rate
Health Service Fee	$124/term	$129/term
Academic Student Recreation Center Fee	$41/term	$44/term

The Health Service Fee is used to support the operation of the Student Health and Counseling Center (SHAC), which provides on campus access to health care professionals for students. Declining enrollment, higher than CPI medical inflation, and the impact of collective bargaining agreements have lead to position eliminations and service and supplies reductions. The increased fee will allow SHAC to continue operations at its current service level.

The Academic Student Recreation Center Fee pays for the building and a portion of the operations for our campus recreation program. Declining enrollment, increased condo association dues, and a new common area reserve payment all necessitate this proposed fee increase, which is the first increase since it was initiated in 2010 to cover debt service and other costs associated with the building.

The Student Fee Committee is also recommending an increase of the Incidental Fee of $3 per term for the academic year and $25 for summer term.

The overall increase in tuition and mandatory fees proposed for students is shown in the table below:

	Per Term Tuition and Mandatory Fees	% Increase
Undergraduate (15 credit hours):		
Resident	$2,779	3.77%
Non-Resident	$8,284	3.51%
Graduate (12 credit hours):		
Resident	$4,855	3.30%
Non-Resident	$7,351	3.54%

Exhibit 2

Portland State UNIVERSITY

Portland State University Strategic Investment Summary

Investment Type	Approved for FY16 and FY17
Faculty	$1.35M
Advising	$500K
Academic Support	$100K
Diversity & Inclusivity Initiatives	$425K
Student Services	$495K
Institutional Support*	$2.38M
IT Infrastructure Stabilization	$316K
Student Hardship Remissions	$250K
Auxiliary Deficit Corrections	$900K
Comprehensive Campaign/Foundation Activities	$700K
Total	**$7.42M**

*Includes $700k in one-time investments

Exhibit 3

Enrollment Management & Student Affairs
Campus Rec

Post Office Box 751-CREC
Portland, Oregon 97207-0751
Academic & Student Rec Center
1800 SW Sixth Ave

503.725.5127 tel
503.725.2899 fax
campusrec@pdx.edu
www.pdx.edu/recreation

Portland State UNIVERSITY

December 27, 2015

To the University Budget Team,

The Campus Rec Advisory Board requests an increase to the ASRC fee from $41 to $44 effective July 1, 2016.

Why the change is needed:
The ASRC fee, initiated in 2010, has never been increased. The proposed increase keeps the fee under what $41 in 2010 converts to in 2015 dollars (approximately $44.63). At the end of this fiscal year costs may exceed revenue for the first time in large part because of forecasted budget changes, including:

- An unforeseen increase in FY16 of $123,859 to the Condo Association dues.
- A new ASRC Common Area Reserve payment initiated in FY15 that will max at $293,642 in 2020
- Loss of upwards of $270,000 in fee revenue:
  - $150,000/annual loss with the removal of restricted differential program students from the fee table.
  - $119,067/annual loss due to the reduction in summer term enrollment.

What the intended use of the incremental funds would be:
The increase to the fee would cover Campus Rec's costs which are not covered by the student incidental fee process including the bond payment, reserves, condo association costs, and services and supplies. Specifically the increase would be earmarked for the increase in the ASRC condo association dues and the new common area reserve, allowing for the continuation of current service levels.

How we will ensure that there is not an impact on low-income students, such that this does not become an impediment to degree completion?
Campus Rec's budget distributes over $970,000 to students who are working to pay for college. We employ and advise over 285 students annually, including our FLASH student cohort which aids student retention from freshman to sophomore year, a key indicator for student success. Because all students pay the ASRC fee, we are able to offer access for no additional costs to the Student Rec Center, eliminating barriers for low-income students to a crucial tool to improve student health so they can meet their academic goals.

We look forward to answering any questions you may have and thank you for your support of this important student and campus resource.

Ranier Evens, Student Co-Chair
Sam Bakkila, Student Co-Chair
Nina Chaichi, Student Member
Omar Rivera, Student Member
Harrell Fletcher, Faculty Member
Erik Lawrence, Alumni Member
Cindy Waugh, Staff Member
Brian Jannsen, Staff Member
Alex Accetta, Assistant Vice President
Todd Bauch, Associate Director, Operations
Jenny Welnick, Associate Director, Programs
Atsu Nagayama, Associate. Director, Business

Additional Information

- Faculty/Staff/Alumni members will see an increase in their membership fees effective February 1, 2016.
- Portland State's Student Rec Center fees are the lowest of all of the Oregon universities. A $3/Quarter increase will still leave us $10/quarter lower than Oregon State, almost $24/quarter lower than the University of Oregon, and nearly $30/quarter less than Western Oregon.

- Fees for Oregon comparators:
  - WOU - $101/quarter
  - OSU - $81.53/quarter
  - UO - $93.75/quarter + $500,000 E&G additional funds

  Proposed:
  - PSU - $71/quarter ($44/ASRC Fee + $27/quarter SFC)

- For our budget model we have carefully looked at the two similar buildings on campus, the Peter Stott Center and Smith Union, and hope to avoid the large deferred maintenance bills that each are currently facing. We are deliberately planning to smooth out and equitably distribute the costs to keep the Student Rec Center in appropriate shape for long-term fiscal stability.

"I also think that Campus Rec helps foster a sense of belonging for many of our students; a place that is accessible for all and where students have an opportunity to develop mentally, physically, and professionally. Recent higher education research shows that sense of belonging and connections on-campus are among the top reasons why students are retained and Campus Rec fosters these connections through multiple avenues (e.g., employment, engagement, internships, participation, etc.). All the more reason why increasing the fee to maintain current services and promote new ones is essential to student success and retention at PSU."
Brian Jannsen – Board Member

"I too approve of the memo. Brian has a very good point, one thing PSU has always struggled with is creating those opportunities for students and alumni to connect to the University in a meaningful way. Campus Rec is a huge part of connecting with people."
Erik Lawrence – Board Member

"I too approve this memo. Great point Brian, as a student I could not agree more. Campus Rec is a support system for student staff, students, or anyone else who utilizes the space. Places like this are what a non-traditional campus like Portland State University needs more of."
Ranier Evans – Student Co-Chair

Exhibit 4

Enrollment Management & Student Affairs
Student Health and Counseling

Post Office Box 751-SHAC 503-725-2800 tel
Portland, Oregon 97207-0751 503-725-5812 fax

Portland State UNIVERSITY

December 30, 2015

TO: University Budget Team

FR: John Fraire, Vice President
Enrollment Management and Student Affairs

RE: Student Health Fee 2016-17

We propose an increase in the Student Health Fee from $124 per quarter to $129.

Justification:

Due to rising costs, decreased enrollment, and five years of a flat health fee, SHAC faced a serious budget shortfall for the 2015/16 academic year. The budget was balanced through a combination of eliminating positions, cuts in services and supplies, and a $5 increase in the health fee. As a result of this tight budget, SHAC was unable to fund the equipment replacement reserve fund and significantly depleted its cash during this academic year.

Medical inflation is estimated to be 2.75 to 3% for the coming year. The proposed health fee increase would allow us to keep pace with inflation and begin to replenish our cash and equipment replacement reserves. There would be no increase in programming associated with this increase.

Consultation with students:

The Student Health Advisory Board is regularly updated on the SHAC budget and approves of small incremental increases in the health fee to keep pace with the increase in expenses. They will receive final presentation on the budget when they reconvene in January.

Impact on low-income students:

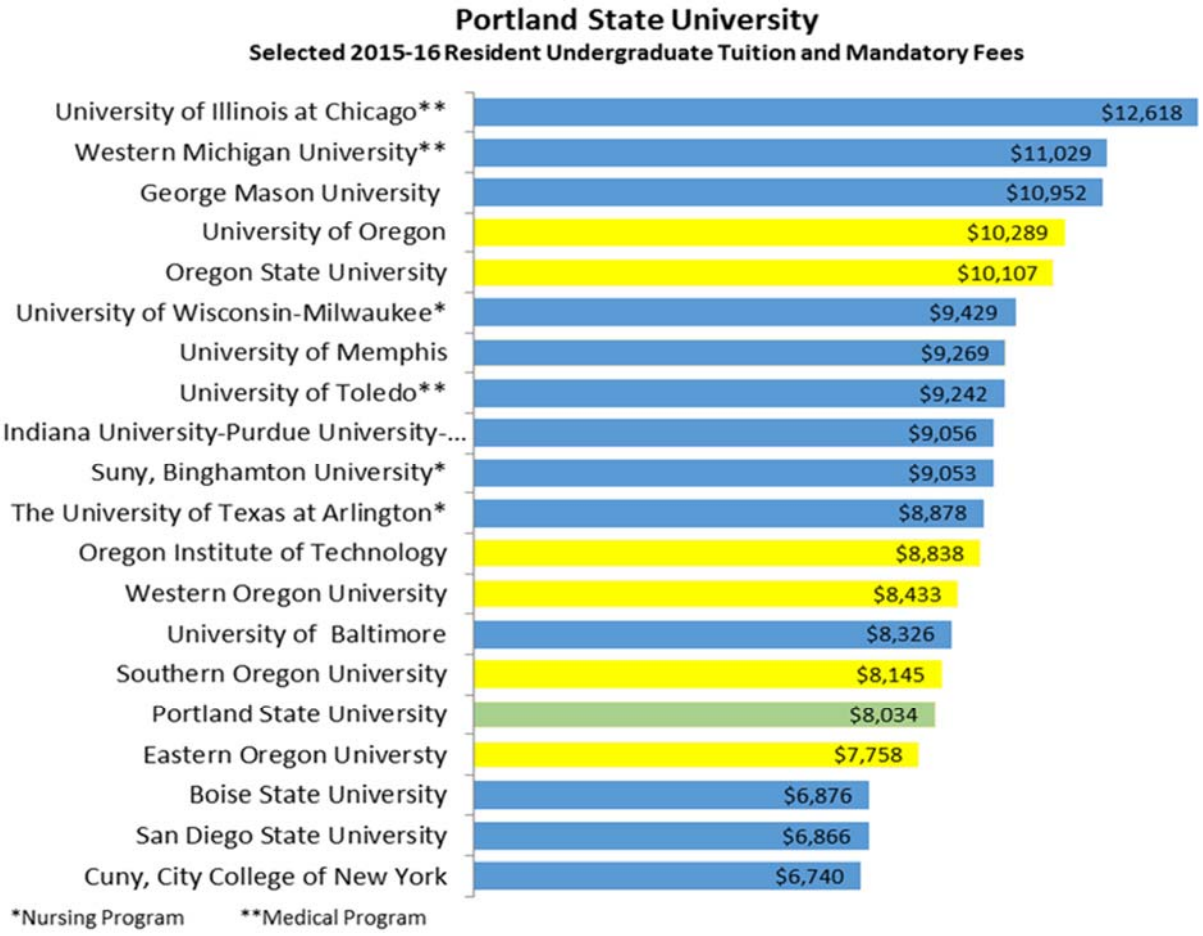
The benefit of the health fee increase outweighs any potential hardship. PSU's health fee continues to be the lowest of the three large public universities in Oregon. This proposed increase allows us to continue to operate without a copay for visits with doctors, nurses, and counselors (such as UO has) and reduces barriers to health care for our low-income students. Additionally many of our low-income students are insured through the Oregon Health Plan where access to providers is a significant impediment to care and many of these students rely on access to SHAC for their medical, mental health, and dental care.

Exhibit 5

Fall Per Quarter Tuition and Mandatory Fees

Description	2012-13	2013-14	2014-15	2015-16	2016-17 Proposed	Increase from FY13 to FY17	Average Increase since FY13	Quarterly Increase	Annual Increase
Undergraduate (15 SCH):									
Resident	$ 2,551	$ 2,628	$ 2,598	$ 2,678	$ 2,779	$ 228	$ 57.00	$ 101	$ 303
% chg	*-1.43%*	*3.02%*	*-1.14%*	*3.08%*	*3.77%*	*8.94%*	*2.23%*		
Non-Resident	$ 7,621	$ 7,698	$ 7,773	$ 8,003	$ 8,284	$ 663	$ 165.75	$ 281	$ 843
% chg	*-0.52%*	*1.01%*	*0.97%*	*2.96%*	*3.51%*	*8.70%*	*2.17%*		
Graduate (12 SCH):									
Resident	$ 4,465	$ 4,515	$ 4,563	$ 4,700	$ 4,855	$ 390	$ 97.50	$ 155	$ 465
% chg	*-1.74%*	*1.12%*	*1.06%*	*3.00%*	*3.30%*	*8.73%*	*2.18%*		
Non-Resident	$ 6,745	$ 6,819	$ 6,891	$ 7,100	$ 7,351	$ 606	$ 151.50	$ 251	$ 753
% chg	*-0.81%*	*1.10%*	*1.06%*	*3.03%*	*3.54%*	*8.98%*	*2.25%*		

Exhibit 6


Portland State University
Selected 2015-16 Resident Undergraduate Tuition and Mandatory Fees
University of Illinois at Chicago** $12,618
Western Michigan University** $11,029
George Mason University $10,952
University of Oregon $10,289
Oregon State University $10,107
University of Wisconsin-Milwaukee* $9,429
University of Memphis $9,269
University of Toledo** $9,242
Indiana University-Purdue University-... $9,056
Suny, Binghamton University* $9,053
The University of Texas at Arlington* $8,878
Oregon Institute of Technology $8,838
Western Oregon University $8,433
University of Baltimore $8,326
Southern Oregon University $8,145
Portland State University $8,034
Eastern Oregon Universty $7,758
Boise State University $6,876
San Diego State University $6,866
Cuny, City College of New York $6,740
*Nursing Program
**Medical Program

UNIVERSITY OF OREGON

May 24, 2016

Oregon State Legislative Assembly Emergency Board
Legislative Fiscal Office
900 Court St. NE, Room H-178
Salem, OR 97301

Dear Senate President Courtney, House Speaker Kotek, and Members of the Joint Emergency Board,

In accordance with state statute, the Board of Trustees of the University of Oregon (the UO Board) has legal authority to determine tuition and mandatory enrollment fees. This authority does not require approval from the Higher Education Coordinating Commission (HECC) or the Legislature so long as the annual increase does not exceed five percent for undergraduate students who are enrolled in a degree program and are qualified to pay resident tuition.[1] However, if resident undergraduate tuition or mandatory enrollment fees are increased by more than three percent for the 2016-2017 academic year, Oregon public universities are required to report a justification for that increase to the HECC and the Joint Committee on Ways and Means.[2]

On March 4, 2016 the UO Board voted to increase tuition for undergraduate resident students by $405 per year, which equates to a 4.76 percent increase. UO is focused on achieving excellence. This tuition plan reflects that focus and the steps the campus is taking toward furthering its priorities. The tuition rate for resident undergraduate students remains below that of peer research institutions nationally and continues to position UO as an excellent value for Oregon students and families. This memo provides context and information around how the tuition proposal was crafted and why it was necessary for the university's financial health, academic mission, and student experience.

UO administration, faculty, and students are deeply appreciative of the additional state support received in the 2015-17 legislatively adopted biennial budget. The Governor and the Legislature reinvested in Oregon's universities and their students. From that reinvestment, UO was allocated just over $62.6 million annually from the Public University Support Fund (PUSF) based on the Student Success and Completion Model. In addition to meeting necessary financial obligations and furthering the university's academic and research

[1] Oregon Revised Statutes (ORS) § 352.102, 352.105, and 352.107 "...the governing board may authorize, establish, eliminate, collect, manage, use in any manner and expend all revenue derived from tuition and mandatory enrollment fees."

[2] Section 30, chapter 840, Oregon Laws 2015. This section is repealed on December 31, 2018. [2015 c.840 §30].

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541-346-3036 **www.uoregon.edu**

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missions, those dollars have been invested in targeted areas[3] including: Funding UO's new Graduation Incentive Grant program to help students complete their degree; hiring more advisors for UO's PathwayOregon program, which provides critical financial aid to first generation and underrepresented Oregon students; hiring additional retention specialists who will use analytics to identify academically or financially at-risk students and create a web of support services; and launching a tenure track faculty initiative that will increase tenure track faculty with an emphasis on STEM fields.

UO develops proposed tuition increases through an integrated campus process administered by the Tuition and Fee Advisory Board (TFAB). The TFAB is co-chaired by the vice president for finance and administration and the vice provost for budget and planning. Additional members of the advisory group include four students, faculty, deans, vice presidents, vice provosts, and administrative staff engaged in budgeting, institutional research, and financial aid. The TFAB makes a recommendation to the university president and provost, who then solicit public comment and make a final recommendation to the UO Board.

The approved tuition increase for 2016-17 was necessary in order to balance the institution's education and general (E&G) fund budget, which is composed mainly from tuition dollars and funds the majority of activity in schools and colleges and administrative units. The E&G fund faces significant cost increases in FY17 from various factors, including labor, salary, and benefits packages.

TFAB Recommendation and UO Board Tuition and Fees Adoption, 2016-2017:

- Resident (in-state) tuition would rise $9 per credit hour, or 4.76%. For a full-time (45 credit) student this equates to a $405 annual increase. This puts a full year of tuition at $8,910.
- Nonresident tuition would rise $30 per credit hour, or 4.46%. For a full-time student, this equates to a $1,350 annual increase. This puts total nonresident tuition at $31,590.
- 10% (approximately $1.4 million) of the gross tuition funds generated will be used for fee remissions (scholarships) for students, per UO standard practice.
- Mandatory fees will increase 3.83% per term. Four mandatory fees (building fee, rec center bond fee, rec center fee, and EMU fee) will see no change. Student Life recommended a 7.92% increase in the Health Service Fee, which is based on cost of care. The ASUO proposed a 4.47% increase in the student-managed Incidental Fee (aka "I-Fee").

[3] The Legislature approved a budget note in the HB 5024A (2015) in reference to the PUSF16: "The additional $30.0 million post-revenue forecast allocation for the biennium is to be used to fund campus investments in targeted tuition remissions for undergraduate Oregonians, and programs to improve student graduation. These would be programs detailed previously by the universities to the HECC for how they would use additional investments addressing access, affordability, and student success."

As background, enclosed are detailed materials about the tuition 2016-17 tuition and fees proposal. These were presented to the UO Board in March 2016.

Starting Point – Education & General Fund: In FY 2014-15, UO ran a $10 million deficit in revenue vs. costs in the E&G fund, $6.5 million of which was due to recurring costs now included in the 2015-16 budget and beyond. **E&G expenses for FY15-16 are estimated to be approximately $483 million**. This year, the UO is run-rate even, which means anticipated revenue is expected to just cover anticipated costs. This is largely due to the state's reinvestment in higher education and the tuition increase adopted for 2015-16. However, it also means that for FY17 any anticipated cost increases to the E&G fund need to be covered with either additional revenue or other cost cuts.

Anticipated Cost Increases – FY17: The following is a *non-exhaustive* list of known and anticipated cost increases for FY17. These reflect recurring cost drivers that will be added to the $483 million baseline. While other cost increases like those associated with individual schools or colleges exist, the list below highlights the high-level, major increases.

Item	Amount	Notes
Salary increases for faculty and staff	$7.6 million	Per collective bargaining agreements (CBA). Includes annualization of FY16 2.0% ATB and FY17 0.75% Across-the-Board (ATB) for faculty; also includes implementation of merit pools. Per SEIU CBA includes annualization of FY16 2.25% ATB and partial year implementation of FY17 2.25% ATB for staff. Estimates also include projected step increases (4.75%) for approx. 73% of SEIU staff. Projections include salary increases for almost 3,500 employees (faculty, SEIU staff and OAs). OA salary packages are assumed to be similar to faculty increases. Graduation Teaching Fellowship (GTF) salary increases are ***not yet included in this projection*** as the contract is under negotiation. Salary increases for 2017-18 will likely be higher due to increases in faculty CBA.

Salary increases for GTFs	TBD	Contract currently under negotiation.
Health insurance cost increases	$2.2 million	Projections include annualization of December 2015 increase in PEBB rates (3.3%) and an assumed PEBB rate increase of 5.0% in December 2016. Annual increases over the last 14 years averaged 5.7 %.
PERS cost increases	--	No change in rates for FY17, but there is a substantial increase projected in FY18 of $6million (annual and recurring). A similar recurring increase is also expected in both FYs 20 and 22.
Increased costs for debt, rent, insurance, utilities, and assessments	$1.5 million	
Strategic Investment Fund	$2 million	This is a standard increase – this fund is allocated by the provost each year to fund agreed-upon university priorities based on recommendations of a Budget Advisory Group. $1 million has already been pre-committed to tenure track faculty lines as part of the cluster hire process. $400K has already been pre-committed to new graduate fellowships.
Investments in critical IT infrastructure	$2.75 million	Minimum phase one investment needed to replace end-of-life IT infrastructure and other critical priorities (e.g. infrastructure security). Significant additional investment likely needed in FY18.
Minimum wage	~$229,000	Per SB 1532 (2015). This represents the cost increase to the E&G fund for FY17. It will continue to increase as the minimum wage is phased in through FY23.
Investments in new tenure track faculty	$1.5 million	Part of investments in UO's Strategic Framework of "Excellence," which will promote and enhance student access and success, bolster research, and improve campus infrastructure.
Total Estimated Major Cost Increases	**Approximately $18 million**	Reflects best estimates based on information currently available.

This number could reach more than **$20 million** in total additional costs within the E&G fund once factors like GTF contract increases, costs related to federal FLSA regulations changes regarding eligibility for overtime pay, further investments in diversity initiatives, and individual school/college/department investments are added

Revenue to Offset Increased Expenses: Three primary mechanisms can help offset these increases in expenses to ensure that UO has a balanced E&G fund budget:

1. **Cost-cutting measures**: The president intends to find approximately $3+ million in administrative cost-cutting by FY17.
2. **Increased state appropriation:** The 2016-17 state appropriation will be approximately $2 - $2.5 million more than 2015-16, which is not sufficient to cover costs.[4]
3. **Tuition:** The tuition package will result in $13.5 million of additional revenue.

Moving Forward: On April 1st, Oregon's seven public universities submitted an operating budget request to the HECC as part of the Agency Request Budget process for the 2017-19 biennium. This request forecasted significant budget gaps, largely as a result of external cost drivers outside of the universities' control. The unified funding request highlights and supports the following reality: **To keep tuition increases below five percent, as well as preserve current financial aid structures and student support services, the state must appropriate $765 million to the PUSF in the 2017-19 biennium. This is an increase of roughly 15%—or $100 million—from the previous biennium.** To reiterate, this increase is necessary to help us meet financial obligations associated with external cost drivers around salary and benefits.

As a first generation college student myself, I am acutely aware that any increase in the cost of higher education is difficult for students. These investments are designed not only to keep costs for students down by not having to pay for another year or two of college, but also to benefit students in the long term, as research shows that students who do not graduate are more than three times more likely to default on their student loans. I am committed to doing everything in my power to cushion the impact of this increase—and likely future increases—on our most economically vulnerable students through scholarships, student aid, increased advising, graduation incentive grants, and programs for on-time graduation.

Sincerely,

Michael H. Schill
President and Professor of Law

[4] When the biennial budget is appropriated, it is done so with a 49-51 split between fiscal years.

Agenda Item #4

Academic 2016-17 Tuition and Fees

UNIVERSITY OF OREGON

Date: February 24, 2016

To: Board of Trustees

From: Michael H. Schill, President

Re: Academic Year 2016–17 Tuition and Fee Proposal

Enclosed is my proposal for academic year 2016–2017 tuition and fees, which is the same as the recommendation presented to me by chairs of the Tuition and Fee Advisory Board (TFAB). While I have read the public comments on the TFAB recommendation, they do not change the underlying truth that we must raise our tuition to enable the university to meet its future challenges.
Among the recommendations is an increase of $9 per credit hour—or $405 per year for full-time students—for in-state undergraduate students. Out-of-state students would see an increase of $30 per credit hour—or $1,350 per year for full-time students. This equates to a 4.76 percent increase and a 4.46 percent increase, respectively.

The number one priority for our university is to achieve excellence in teaching and research, and I believe that this tuition plan, as part of our overall strategic budget, is necessary to enable us to achieve those goals. To achieve excellence, we must invest in faculty hiring, research infrastructure, and student access and success. We also must address significant cost drivers including increased labor and medical costs, and IT infrastructure improvements. Due to public divestment in higher education, tuition is the university's primary funding source. The UO receives just 7 percent of its budget from the state of Oregon.

Note that I say this tuition plan is necessary, but it is not sufficient. As I have stated repeatedly over the past seven months, we will need to utilize all of the resources we can muster to achieve excellence, including those obtained through increased advocacy for state funding, philanthropy, and resource realignment.

When paired with our internal effort to realign budgets with strategic priorities and cuts to administration, tuition dollars will help fuel the UO's pursuit of excellence in the classroom, the research lab, and in the experience our students have every day on this campus. I do not make this recommendation lightly, but we owe it to the students of this university and the state of Oregon to do what is necessary to maintain and grow the academic and research stature of this school.

OFFICE OF THE PRESIDENT
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Affordability and accessibility are also objectives of our university that are vital to achieving our public mission. Our tuition rate for resident undergraduates remains below that of peer research institutions that receive much higher state funding per capita. This increase is also below the ten-year average of tuition increases that we have experienced. I believe that the UO remains a remarkable value for students and families.

The budget challenges and cost drivers are not going to abate, which means we are likely looking at a multi-year trend with regard to tuition. For instance, in academic year 2017–2018 we will have an even more challenging situation, with a roughly 20 percent increase in our PERS costs on top of our normal cost drivers.

For that reason, I am committed to doing everything in my power to cushion the impact of this increase and likely future increases on our most economically vulnerable students. We have expanded the PathwayOregon program, which provides full tuition and fees to nearly 2,000 Pell-eligible resident students. This year, we will also expand our financial assistance by $1.4 million. We will continue the graduation assistance award program that we began this year. Perhaps most importantly, through the Oregon Commitment (my student success initiative announced last fall), we will work to make sure that every student at the university graduates in a timely fashion. That alone will save UO students tens of thousands of dollars that they currently incur in extra tuition and fees.

I appreciate your thoughtful consideration of this proposal.

REQUESTED ACTION

Each year, the president presents to the board a recommendation for tuition and mandatory fees for the following academic year. Below is a summary of the president's recommendation for academic year 2016-17 (AY16-17) for tuition and fees. The resolution before FFC also includes authorization of the associated "Tuition and Fee Policy Book", which articulates the purpose of and use(s) for tuition and fees. The Finance and Facilities Committee will review the proposal and vote on a resolution; if passed by the committee, the full board will vote on the resolution as a seconded motion.

PROCESS RECAP

The Tuition and Fee Advisory Board (TFAB) exists to advise the provost on tuition, mandatory fees, course fees, other significant costs of education (e.g., housing fees), as well as issues related to tuition structure (e.g., guaranteed tuition, tuition plateaus). Like other administrative advisory boards, TFAB does not vote on a specific recommendation; its chairs take all advice and feedback into consideration and a generalized TFAB recommendation is submitted to the provost. The provost confers with the president, they put forth a recommendation for public comment, and then the president forwards a final recommendation to the Board of Trustees.

The TFAB is co-chaired by Jamie Moffitt, vice president for finance and administration/CFO, and Brad Shelton, in his role as vice provost for budget and planning. Additional members of the advisory group include four students (three undergraduate and one graduate, including the ASUO president and ASUO finance director), faculty, deans, vice presidents, vice provosts and administrative staff engaged in budgeting, institutional research and financial aid.

TFAB met twelve times during October through January. Fall meetings focused on research, current tuition and fee information, comparative data, the concept of a guaranteed tuition program, and budget pressures (known and anticipated). Winter meetings focused on deeper dives into specific proposals for tuition (graduate and undergraduate), course fees, mandatory fees, housing fees, and tuition and fee policies. TFAB meetings were open to the public and materials were posted on the Institutional Research website (available here). In addition to TFAB meetings, there were three public forums at which tuition was discussed and student input solicited.

STARTING POINT: 2015-16 E&G FUNDS

Education and general (E&G) expenses for FY 2015-16 are estimated to be approximately $483 million. For this year, the UO is run-rate even, which means anticipated revenue is expected to just cover anticipated costs.[1] This is largely due to the state's reinvestment in higher education and the tuition increase adopted for 2015-16. Eighty percent (80%) of the E&G fund comes from tuition.

ANTICIPATED COST INCREASES

The following is a non-exhaustive list of known and anticipated cost increases. These reflect recurring cost drivers that will be added to the $483 million baseline for AY16-17. There are certainly other cost

[1] In FY 2014-15, the university ran a $10 million deficit in revenue vs. costs in the E&G fund, $6.5 million of which was due to recurring costs now included in the 2015-16 budget and beyond.

increases, such as those which might be found in individual schools or colleges; this list focuses on high-level, major increases.

Item	Amount	Note
Salary increases for faculty and staff	$7.6 million	Per collective bargaining agreements. Includes annualization of FY16 2.0% ATB and FY17 0.75% ATB for faculty; also includes partial year implementation of merit pool. Per SEIU CBA includes annualization of FY16 2.25% ATB and partial year implementation of FY17 2.25% ATB for staff. Estimates also include projected step increases (4.75%) for approx. 73% of SEIU staff. Projections include salary increases for almost 3500 employees (faculty, SEIU staff and OAs). (OA salary packages are assumed to be similar to faculty increases.) GTF salary increases are *not yet included in this projection* as the contract is under negotiation. *Note*: Salary increases for 2017-18 will likely be higher due to increases in faculty CBA.
Salary increases for GTFs	TBD	Contract currently being negotiated.
Medical cost increases	$2.2 million	Projections include annualization of December 2015 increase in PEBB rates (3.3%) and an assumed PEBB rate increase of 5.0% in December 2016. (Annual increases over the last 14 years have averaged 5.7%.)
PERS cost increases	--	No change in rates for FY17, but there is a substantial increase projected in FY18 of $6-8 million (*annual and recurring*). A similar recurring increase is also expected in both FYs 20 and 22.
Increased costs for debt, rent, insurance, utilities and assessments	$1.5 million	
Strategic Investment Fund	$2 million	This is a standard increase – this fund is allocated by the Provost each year to fund agreed-upon university priorities based on recommendations of a Budget Advisory Group. $1 million has already been pre-committed to tenure track faculty lines as part of the cluster hire process. $400K has already been pre-committed to new graduate student fellowships.
Investments in IT infrastructure	$2.75 million	Minimum phase one investment. Significant additional investment likely needed in FY18.
Potential increases in minimum wage	TBD	The legislature passed a minimum wage increase, the fiscal effects of which are being analyzed. There is still also discussion of a possible ballot measure. For illustrative purposes, moving current

		minimum wage of $9.25/hour to $13.50/hour would have an impact of $2 million per year to the E&G budget.
Investments in new Tenure Track Faculty	$1.5 million	
TOTAL MAJOR COST INCREASES	**$17.5 million**	This is not a final number; it will grow as TBDs are determined.

This number could easily reach $20 million (or more) in total additional costs, which equates to a 4.1% increase in recurring E&G expenses.

REVENUE TO OFFSET INCREASES EXPENSES

Three primary mechanisms can help cover of offset this increase in expenses: cost-cutting measures, increased state appropriation, and tuition.

1. The president intends to find approximately $3+ million in cost-cutting by FY17.
2. The 2016-17 state appropriation will be $2.0 - $2.5 million more than 2015-16.[2]
3. The TFAB recommends a tuition package resulting in $13.5 million more.

AY 2016-17 TUITION AND FEE RECOMMENDATION SUMMARY

For a detailed list of the proposed AY16-17 tuition and fee tables, please see Exhibit A to the resolution. Note that 10% (approximately $1.4 million) of the gross tuition funds generated will be used for fee remissions (scholarships) for students per UO standard practice.

- Resident undergraduate tuition would rise $9 per credit hour, or 4.76%. For a full-time (45 credit) student this equates to a $405 annual increase. This puts a full year of tuition at $8,910.

- Nonresident undergraduate tuition would rise $30 per credit hour, or 4.46%. For a full-time student, this equates to a $1,350 annual increase. This puts total nonresident tuition at $31,590.

- Honors College differential is unchanged.

- Graduate tuition varies by degree level and school/college. The year-over-year changes range from a 0.3% increase (LCB doctorate) to a 9.8% increase (AAA studio).

- Mandatory fees would see a 3.83% increase per term (3.91% for law). Four mandatory fees (building fee, rec center bond fee, rec center fee, and EMU fee) would see no change. Student Life recommends a 7.92% increase in the Health Service Fee, which is based on cost of care. The ASUO proposes a 4.47% increase in the student-managed Incidental Fee (aka "I-Fee").

[2] When the biennial budget is appropriated, it is done so with a 49-51 split between fiscal years. This $2.5M represents the differential between the two years within this current biennial budget.

AY 2016-17 TUITION AND FEE POLICY BOOK

Part of the resolution referenced above is adoption of the 2016-17 version of the University of Oregon Fee Book. This book articulates policies relating to various university fees, tuition discounts (e.g. employee), and the like. A redline version of the Fee Book is attached to the resolution as Exhibit B so that you can review any changes. Please note that all but one of the changes proposed in this Fee Book revision are meant to improve clarity and specificity from the last version. Thus, most are wording changes, the addition of clarifying language in line with current practice, or a reorganization of sections. Other changes are stylistic to confirm the whole document with a master style.

There is one substantive change to the fee book in the language describing the matriculation fee (page XX). The matriculation fee is intended to alleviate the need for many small charges to students for various services such as transcripts and placement exams. Henceforth the Matriculation Fee will no longer include Student Orientation, which will be covered by a separate, non-mandatory fee. In light of the change; the Matriculation fee will not be increased for 2016-17. Normally the Matriculation fee is indexed to increases in resident undergraduate tuition.

NOTE: OTHER FEES, FINES, PENALTIES AND SERVICES CHARGES

The Board has delegated authority to the presidents to set "special fees, fines, penalties and services charges" at the UO, but proposed changes are required to be shared with the Board for informational purposes and review. Those are available at this link or as a separate PDF upon request.

Tuition & Fees Proposal

March 3, 2016

Finance and Facilities Committee
Board of Trustees of the University of Oregon

Agenda

- Tuition and Fee Setting Process
- Background Information
  - Tuition Revenue Components
  - Historical and Comparative Data
  - E&G Fund Context
- FY17 Major Cost Drivers
- Tuition and Fee Recommendations

Tuition and Fee Setting Process

- Tuition and Fee Advisory Board (TFAB): an advisory group appointed by the Provost to advise the President and Provost on tuition, mandatory fees and major non-mandatory fees
  - Fifteen members: two vice presidents, two vice provosts, two deans, four students, faculty, and staff from Institutional Research, Financial Aid, and Budget Office
  - Met twelve times October through January
  - Public meetings; other students made comments and joined discussion
- Student Forums on Tuition: three student forums held throughout the year
- Public Posting of Tuition Recommendations for comment and feedback

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FY16 Tuition Revenue

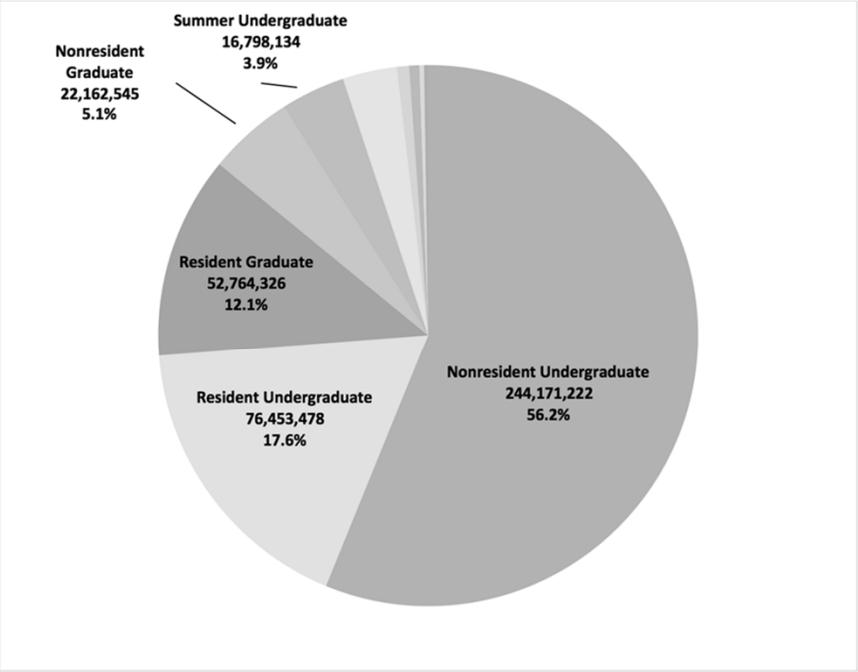
FY16 Tuition Revenue Estimates

Nonresident Undergraduate	244,171,222
Resident Undergraduate	76,453,478
Resident Graduate	52,764,326
Nonresident Graduate	22,162,545
Summer Undergraduate	16,798,134
Continuing Education	14,122,040
Summer Graduate	3,188,263
Honors College	2,667,497
Family / Staff	1,148,111
Other Tuition	1,052,710
Total	434,528,326
Remissions	39,848,234
GTF Tuition Remissions	20,720,253
Net Tuition Revenue	373,959,839

Category

- Nonresident Undergraduate
- Resident Undergraduate
- Resident Graduate
- Nonresident Graduate
- Summer Undergraduate
- Continuing Education
- Summer Graduate
- Honors College
- Family / Staff
- Other Tuition

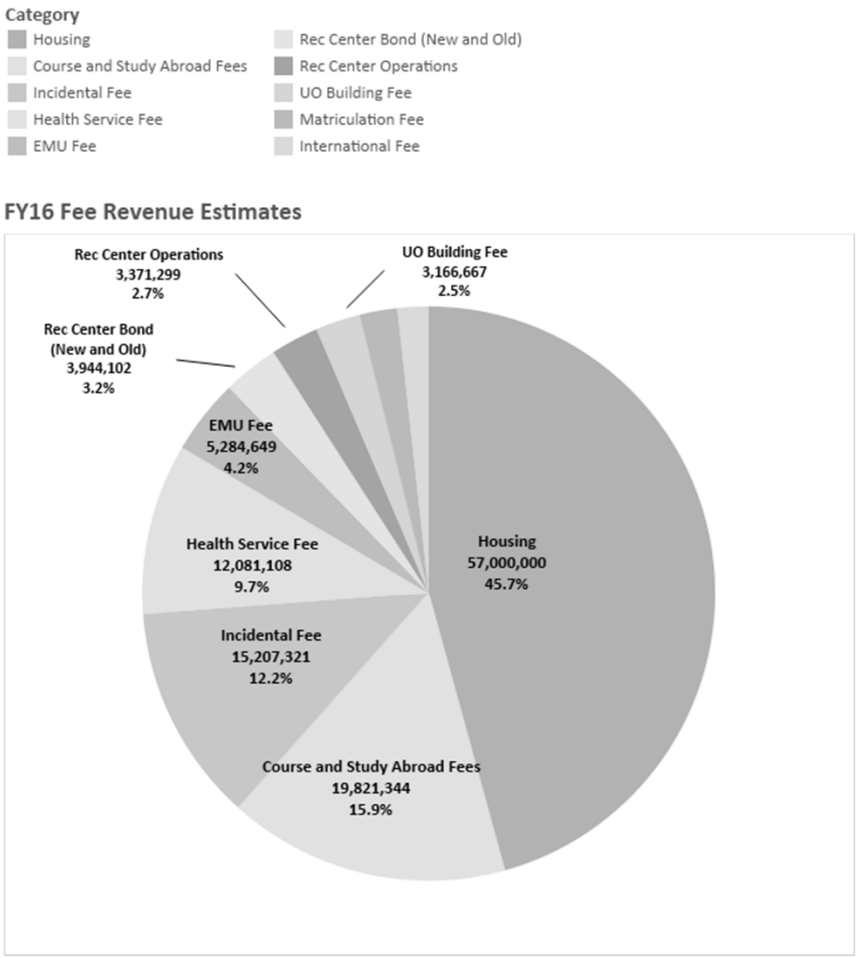
FY16 Tuition Revenue Estimates



FY16 Fee Revenue

FY16 Fee Revenue Estimates

Housing	57,000,000
Course and Study Abroad Fees	19,821,344
Incidental Fee	15,207,321
Health Service Fee	12,081,108
EMU Fee	5,284,649
Rec Center Bond (New and Old)	3,944,102
Rec Center Operations	3,371,299
UO Building Fee	3,166,667
Matriculation Fee	2,632,146
International Fee	2,179,513
Grand Total	124,688,150

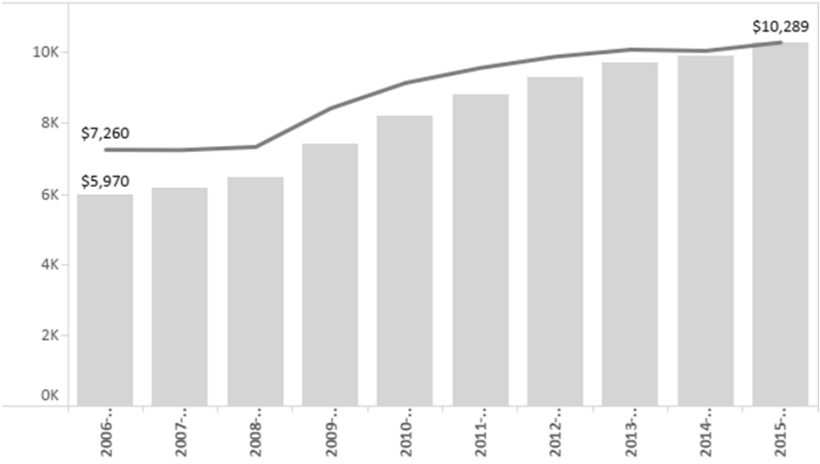


Undergraduate Tuition and Fee History 2006-07 to 2015-16

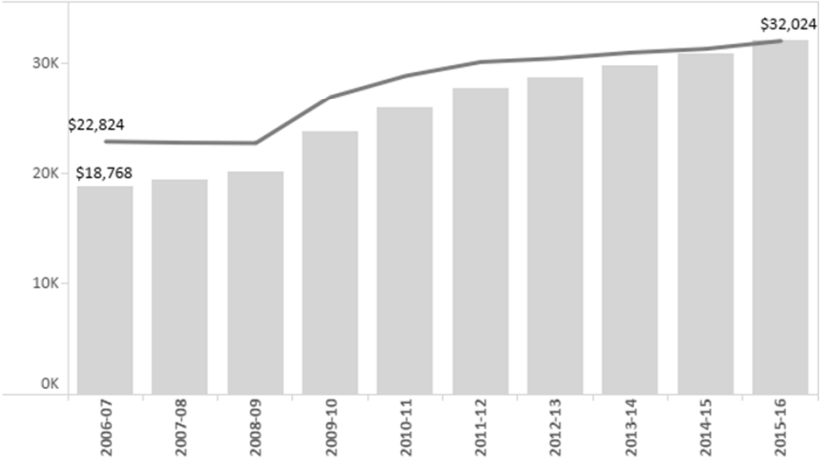
	Resident		Nonresident	
Year	Amount	CPI-adjusted	Amount	CPI-adjusted
2006-07	$5,970	$7,260	$18,768	$22,824
2007-08	$6,168	$7,252	$19,332	$22,730
2008-09	$6,485	$7,342	$20,042	$22,690
2009-10	$7,430	$8,431	$23,720	$26,918
2010-11	$8,190	$9,149	$25,830	$28,854
2011-12	$8,789	$9,572	$27,653	$30,116
2012-13	$9,310	$9,889	$28,660	$30,443
2013-14	$9,703	$10,086	$29,788	$30,965
2014-15	$9,918	$10,051	$30,888	$31,303
2015-16	$10,289	$10,289	$32,024	$32,024

Notes:
1. The CPI values are provided by the Bureau of Labor Statistics and represent the Portland-Salem annual CPI values as of June 30, 2015.
2. All of the costs presented in the table are annualized for the academic year. Tuition and fee rates correspond to a carrying load of 15 credit hours.
Source: UO Office of Institutional Research.

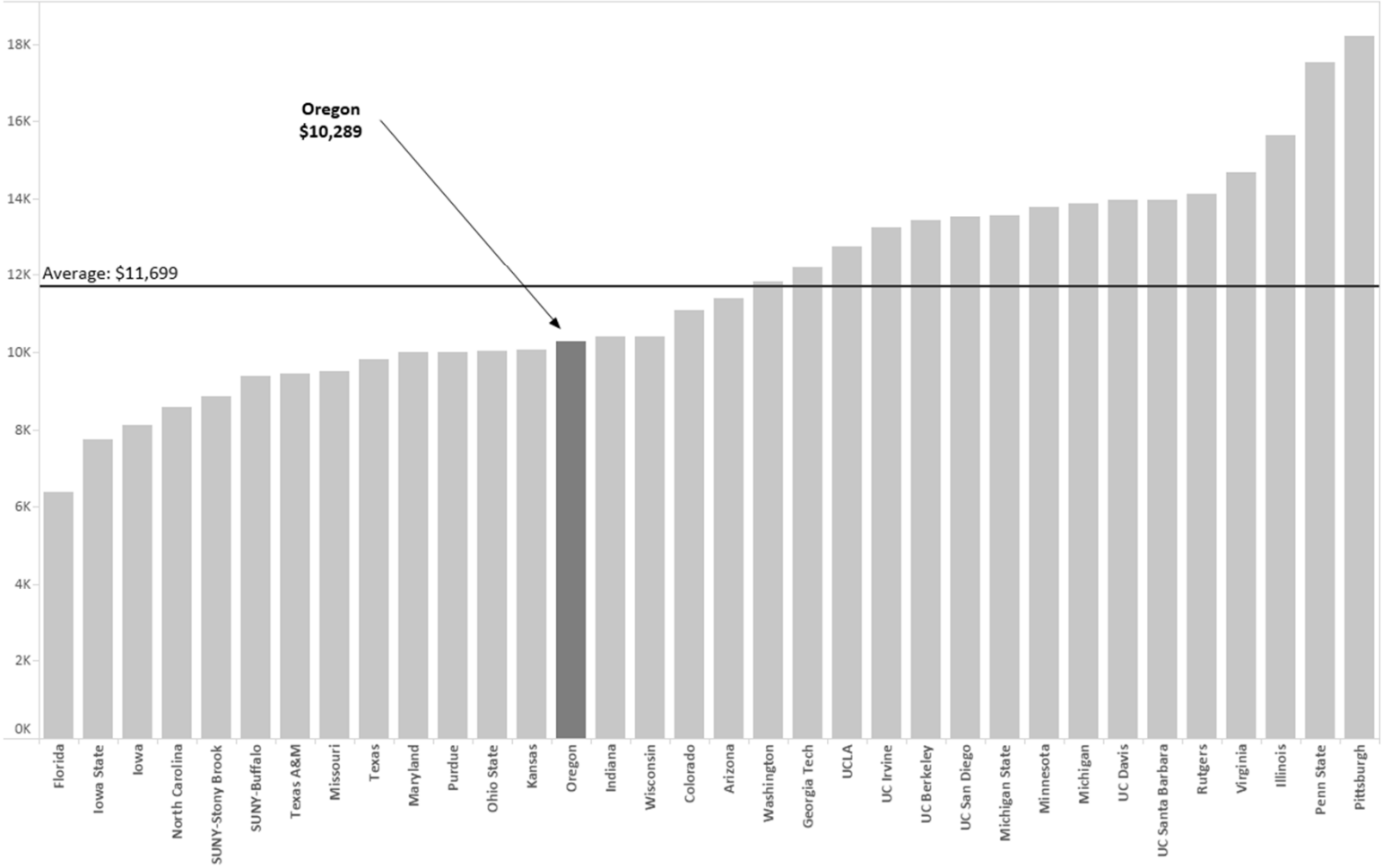
Tuition and Fees for Residents



Tuition and Fees for Nonresidents

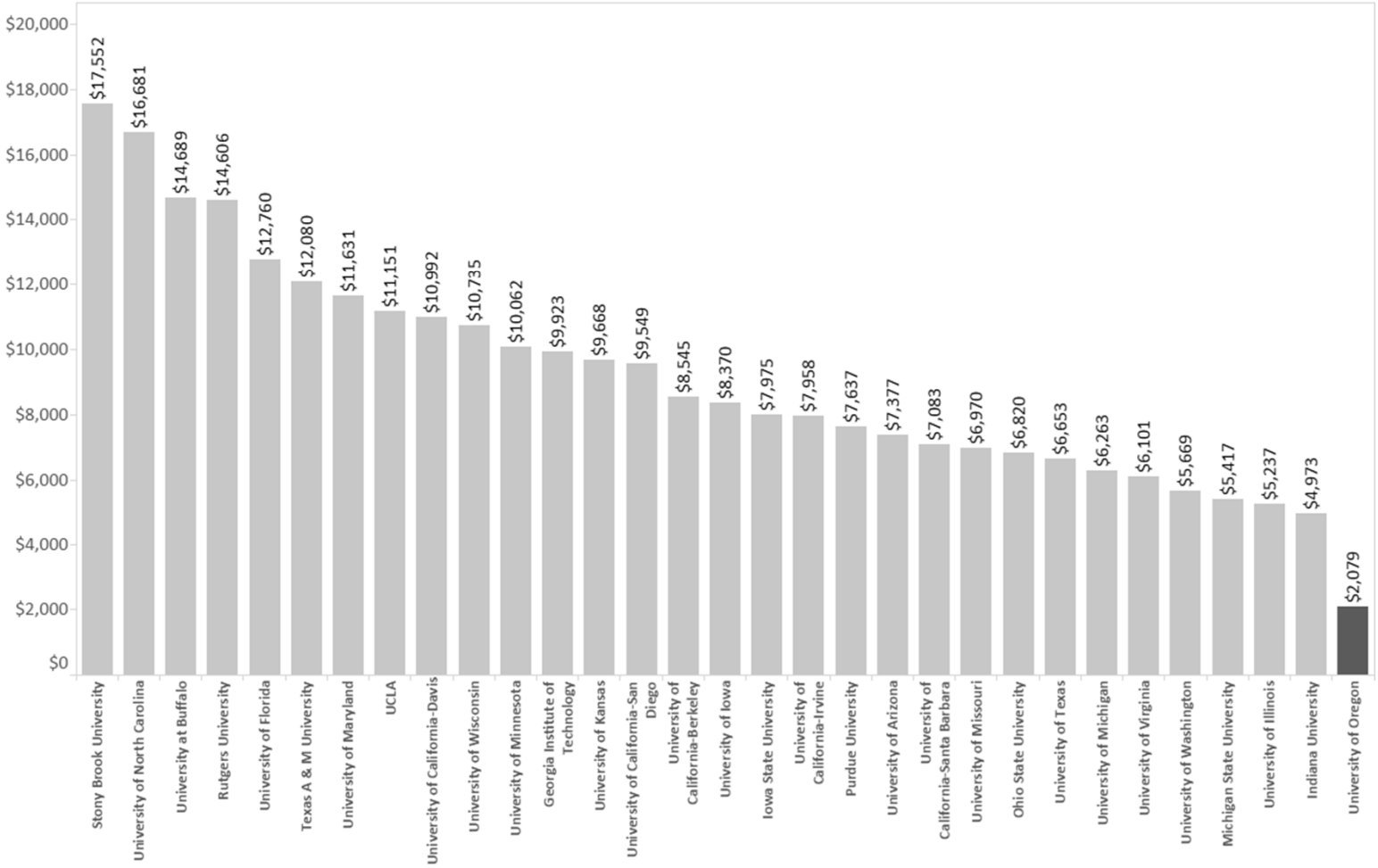


2015-16 Tuition and Fees for Resident Undergraduates among AAU Publics



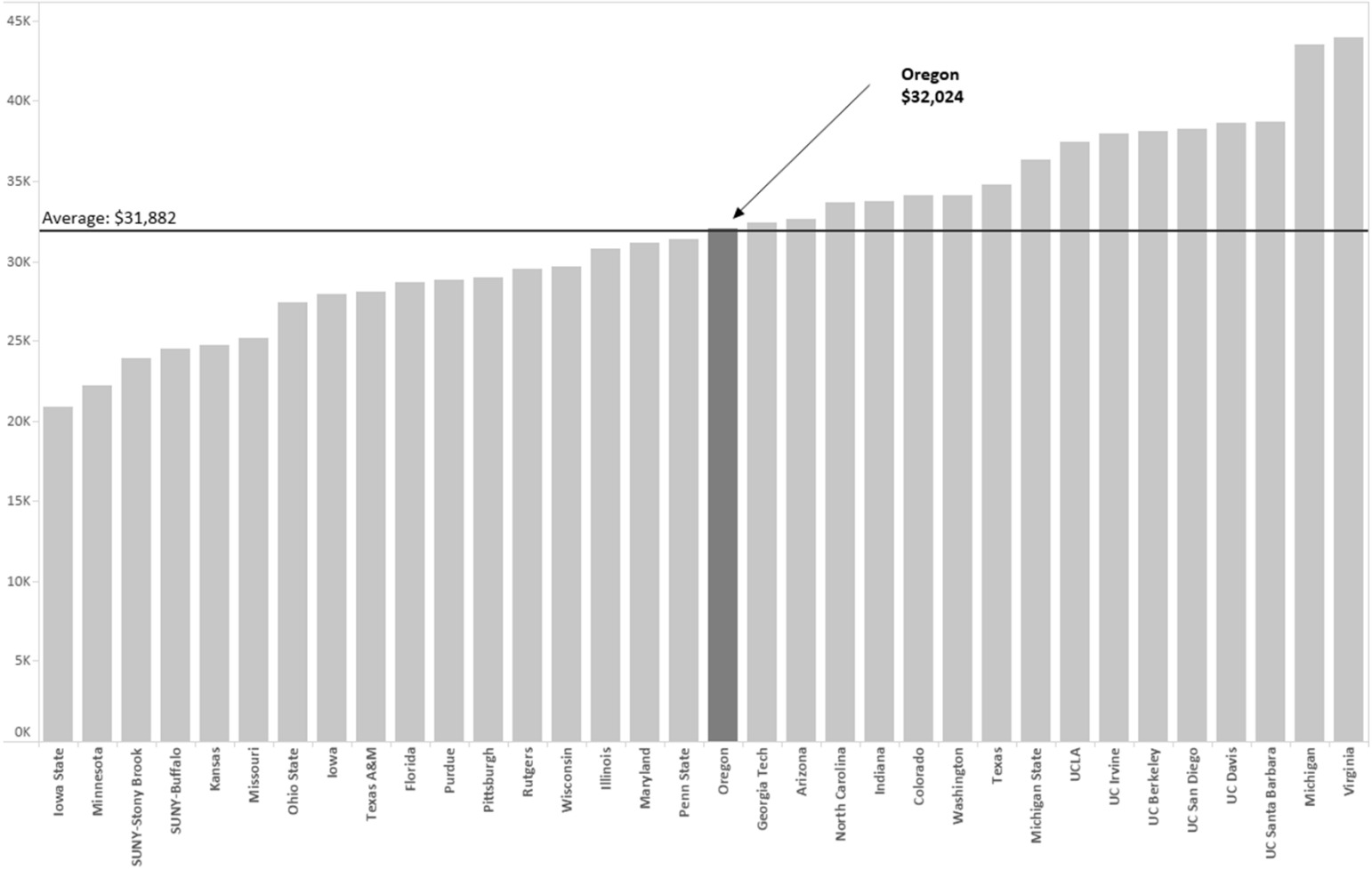
Source: AAUDE Tuition and Fees.

State Appropriations per Student FTE (FY2014) among AAU Publics



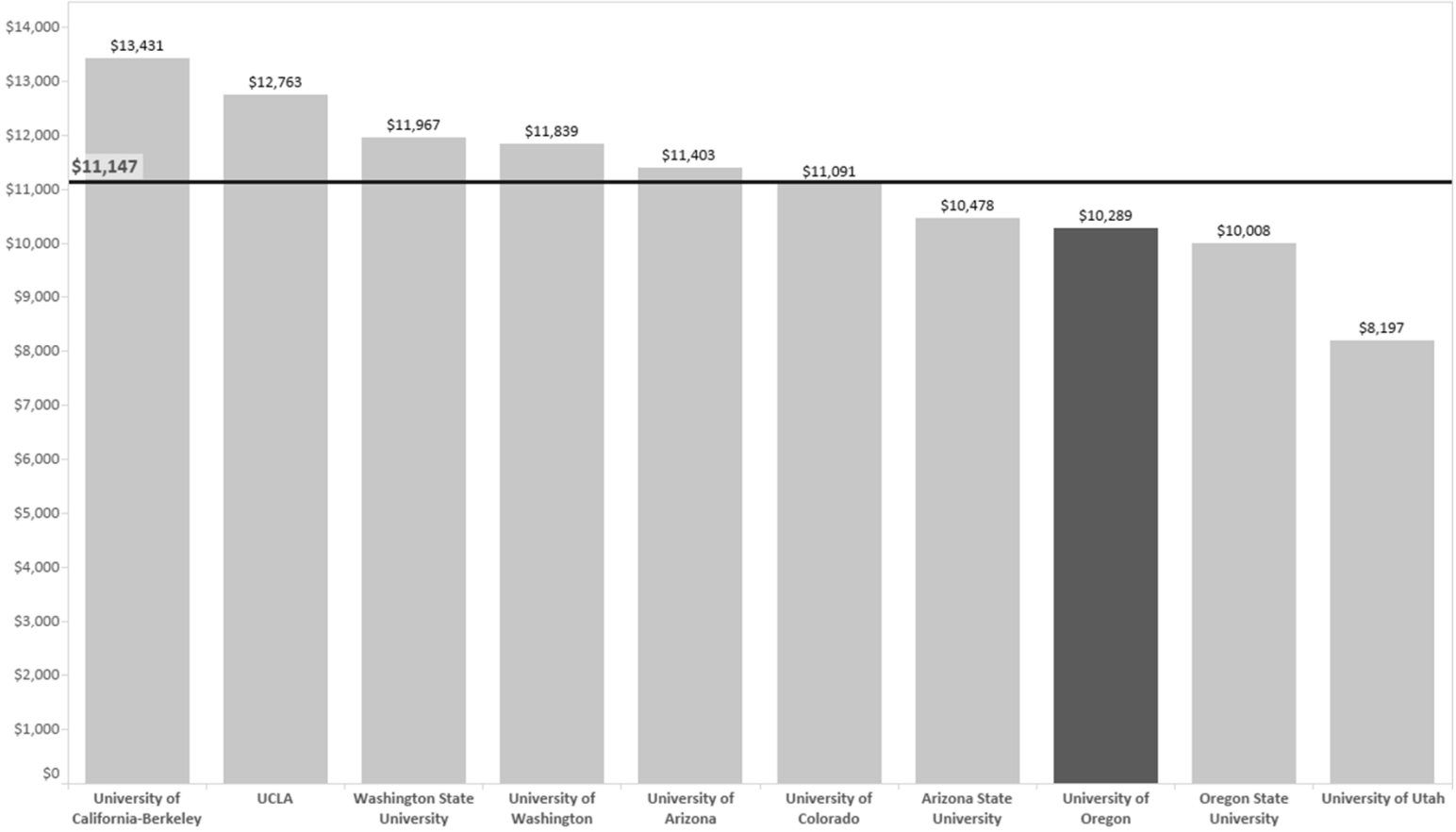
Note: Penn State University, University of Colorado, and University of Pittsburgh are excluded from the table because Pennsylvania and Colorado have alternative funding mechanisms.
Source: IPEDS Finance (FY2014) and Enrollment (FY2014).

2015-16 Tuition and Fees for Nonresident Undergraduates among AAU Publics



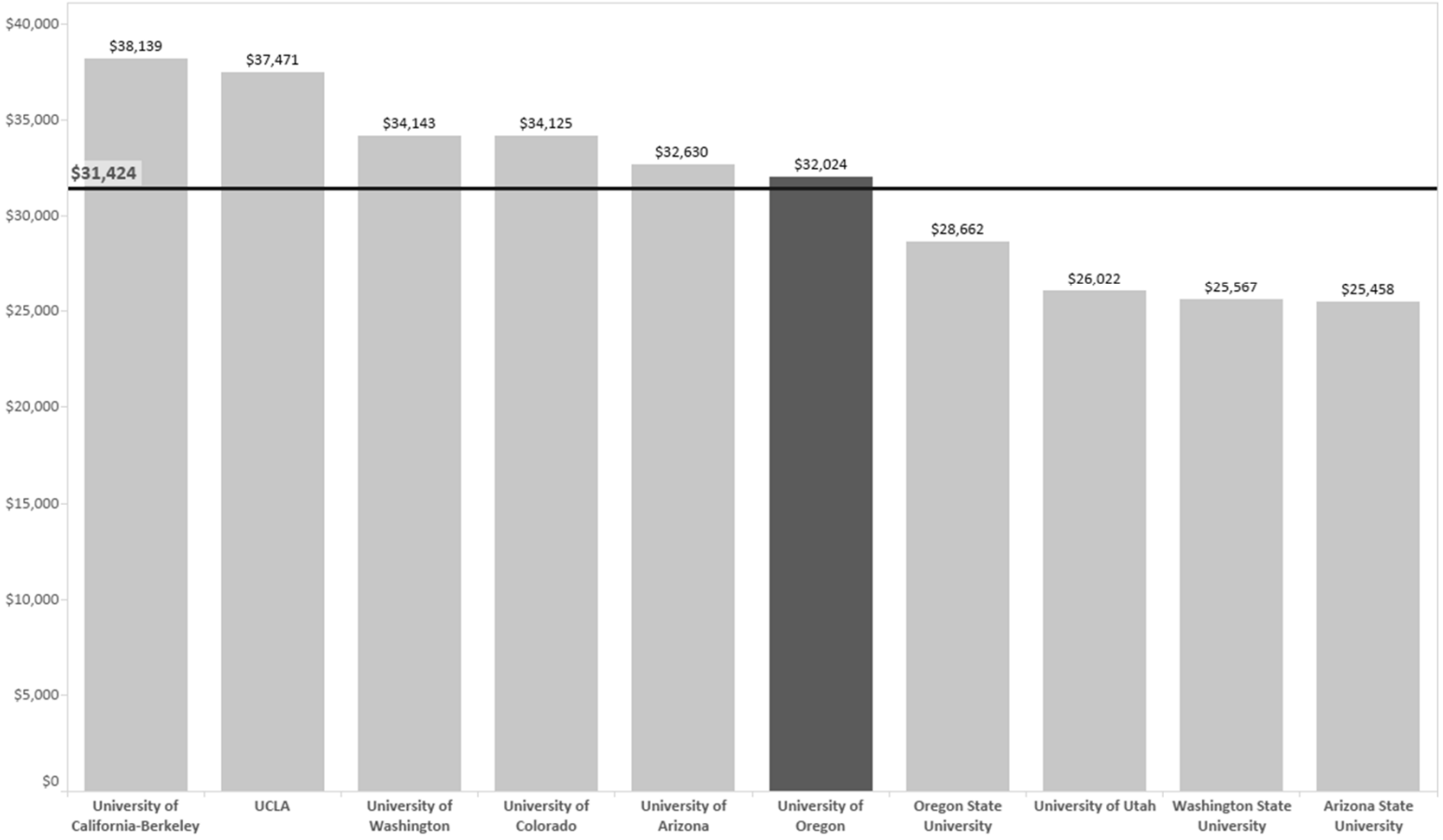
Source: AAUDE Tuition and Fees.

2015-16 Tuition and Fees for Residents - PAC 12 Publics



Source: AAUDE Tuition and Fees and institution web sites.

2015-16 Tuition and Fees for Nonresidents - PAC 12 Publics



Source: AAUDE Tuition and Fees and institution web sites.

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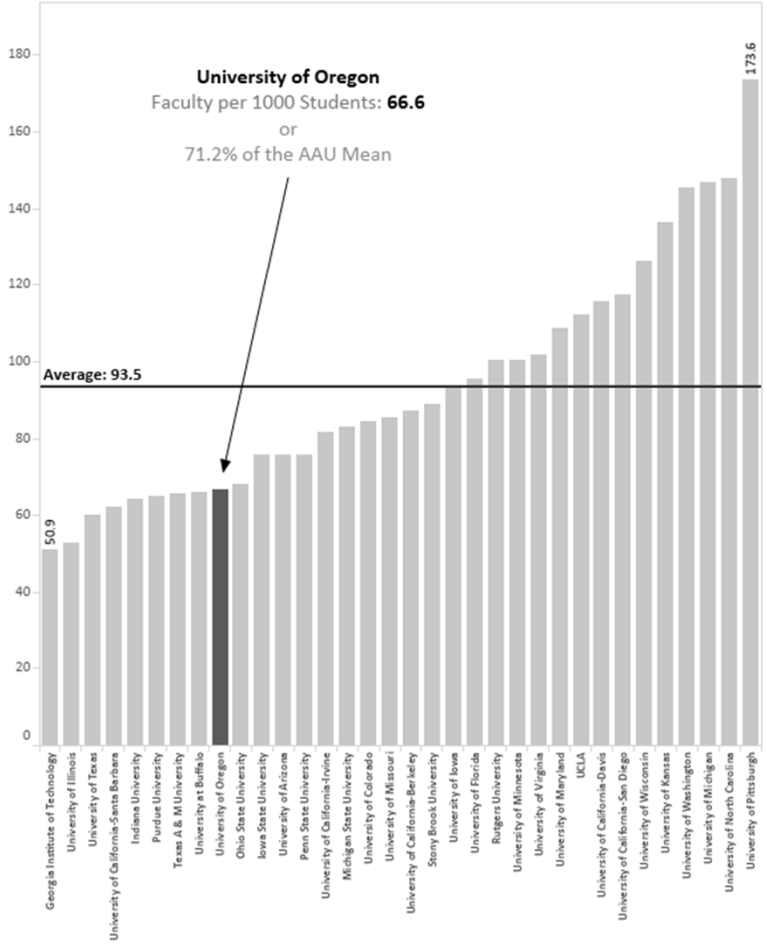
Context – E&G Fund

- E&G Fund - Characteristics
  - 80% funded with tuition revenue
  - Funds majority of activity in schools and colleges and administrative units
  - Over 80% invested in people

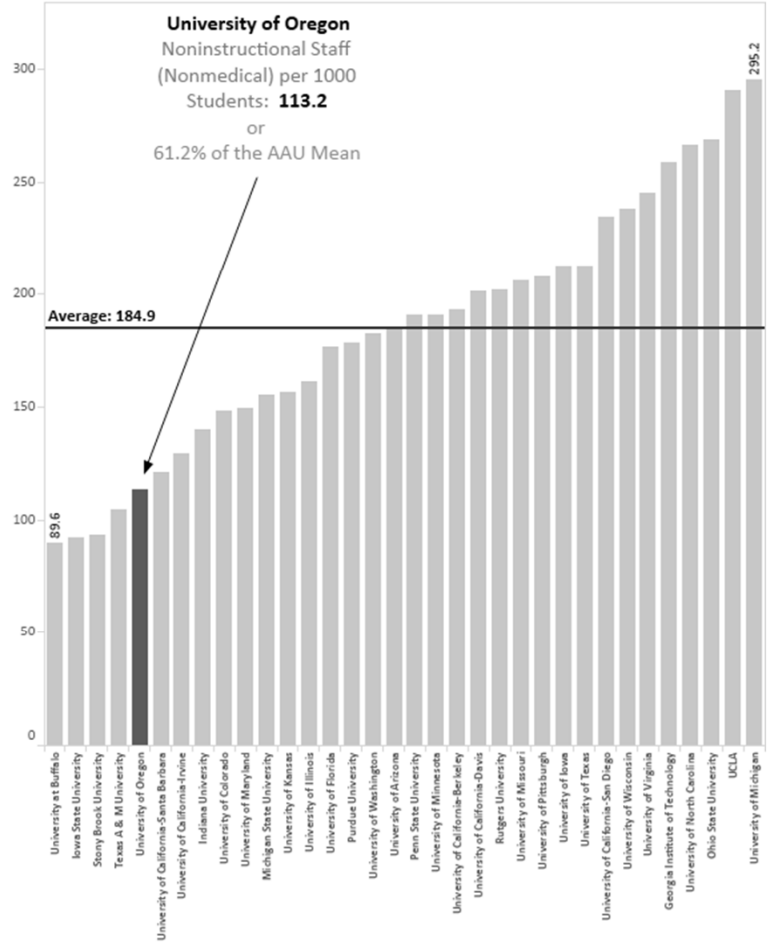
Comparison of Staffing without Medical Personnel per 1,000 Students

Faculty per Students



Source: IPEDS Human Resources and Enrollment (FY2014).

Noninstructional (Nonmedical) Staff per Students



Source: IPEDS Human Resources and Enrollment (FY2014).

Context – E&G Fund

- E&G Fund - Characteristics
  - 80% funded with tuition revenue
  - Funds majority of activity in schools and colleges and administrative units
  - Over 80% invested in people

- E&G Fund – Recent History
  - FY15: $10 million deficit ($6.5 million related to recurring issues)
  - FY16: Projections balanced due to state investment and tuition increase
  - FY17: any increased costs must be covered by increased revenue or other decreased costs

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Summary – Major E&G Fund Cost Drivers

Cost Driver	Projected Cost
Faculty and Staff Salary and Wages	$7.6 million
GTF Salary and Wages	TBD
Medical Costs	$2.2 million
Retirement Costs	n/a
Institutional Expenses	$1.5 million
Strategic Investments (includes $1 million for new faculty)	$2.0 million
IT Infrastructure Investments	$2.75 million
Increase to Minimum Wage	TBD
Investments in Tenure Track Faculty	$1.5 million
Total Project Cost Increases*	***$17.5 million****

****Does not include negotiated GTF contract increases, increases to minimum wage, additional investments needs in IT, costs related to federal FLSA regulations changes regarding eligibility for overtime pay; further investments in diversity initiatives, or individual school/college/department investments.***

FY17 E&G Fund Major Cost Drivers

Factor	Projected Cost Increase	Notes
Faculty and Staff Salary and Wages	$7.6 million	Per collective bargaining agreements. Officers of Administration salary package assumed to be similar to faculty salary package. Does not include GTF salary increases
GTF Salary and Wages	TBD	Negotiations for new contract currently underway
Medical Cost (PEBB)	$2.2 million	Includes 3.3% PEBB increase as of Dec 2015 and estimated 5.0% increase as of Dec 2016. Average annual increase over last 14 years has been 5.7%.

FY17 E&G Fund Major Cost Drivers (continued)

Factor	Projected Cost Increase	Notes
Retirement Costs (PERS)	n/a	No increase in FY17. $6 million to $8 million increase projected for FY18. PERS Board projecting additional significant increases to occur in FY20 and FY22.
Institutional Expenses	$1.5 million	Debt, rent, utilities, insurance and assessments.
Strategic Investment Fund	$2.0 million	$1 million pre-committed to tenure track faculty hires as part of cluster hires. $400K pre-committed to Graduate Student Fellowships.

FY17 E&G Fund Major Cost Drivers (continued)

Factor	Projected Cost Increase	Notes
IT Infrastructure Investments	$2.75 million	Necessary Phase One investments. Additional significant investments likely needed in FY2018.
Increase to Minimum Wage	TBD	Oregon current minimum wage is $9.25 per hour. The impact to E&G fund of $13.50 minimum wage would be approximately $2.0 million per year; $15 minimum wage impact would be $3.4 million per year.
Investments in New Tenure Track Faculty	$1.5 million	

Summary – Major E&G Fund Cost Drivers

Cost Driver	Projected Cost
Faculty and Staff Salary and Wages	$7.6 million
GTF Salary and Wages	TBD
Medical Costs	$2.2 million
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Undergraduate Tuition Proposed Increase

- Resident Tuition
  - Increase 4.76% ($9 per SCH) from $189 / SCH to $198 / SCH
  - Total annual resident tuition (at 45 SCH) increases from $8,505 to $8,910
- Non-resident Tuition
  - Increase 4.46% ($30 per SCH) from $672 / SCH to $702 / SCH
  - Total annual non-resident tuition (at 45 SCH) increases from $30,240 to $31,590
- Honors College Differential
  - No increase
  - Remains at $1,278 per term / $3,834 per year
- Summer School Rates: increases will match academic year increases (courses are offered at a discount)

Graduate Tuition Proposed Increases

- With one exception – increases vary between 0% and 3.5% (see handouts)
- AAA – Graduate Studio Program
  - Resident tuition increase – 4.5%
  - Non Resident increase – 10.2%
  - Proposed rates still represent a substantial discount compared to peer school tuition rates
  - AAA will use fee remissions to lock in these rates for entering students
  - Existing students – grandfathered in at existing rates

Proposed Mandatory Fee Increase

- Overall proposed mandatory fee rate increase is 3.83%
- Most mandatory fees are not being increased (see handout for details)
- Fees increasing:
  - Health Center Fee: $161 to $173.75 per term (7.9%)
  - Incidental Fee: ASUO is proposing $223.75 to $233.75 per term (4.47%)

E&G Fund

- Major cost drivers likely to increase by at least $17.5 million to $20 million per year
- Proposed plan to cover costs
  - Undergraduate tuition increase: will generate $13.5 million per year (net of $1.4 million of new fee remissions)
  - State funding: projected to increase by $2.0 million - $2.5 million per year
  - Cost cutting: initiatives underway to cut at least $3.0 million recurring by FY17

Western Oregon
UNIVERSITY

May 18, 2016

Dear Andrew,

I am writing in response to your email dated May 12, 2016 requesting information related to Western Oregon University's Mandatory fee increases excluding the Student Incidental Fee.

The specific fees in question are the Health Center fee which fund the operations of the Student Health and Counseling Center and a new fee to fund, in part, the construction of a new building in which the Student Health and Counseling Center will be located.

Western Oregon University
2016-17 Mandatory Fees

	2015-16		2016-17		2016-17 Increase		
	Per-Term	Per AY	Per-Term	Per AY	Per-Term	Per AY	%
Incidental Fee	327.00	981.00	341.00	1,023.00	14.00	42.00	4.3%
Rec Center Fee	42.00	126.00	42.00	126.00	-	-	0.0%
Building Fee	45.00	135.00	45.00	135.00	-	-	0.0%
Health Center	127.00	381.00	131.00	393.00	4.00	12.00	3.1%
Health and Counseling Building	-	-	11.00	33.00	11.00	33.00	New
	541.00	1,623.00	570.00	1,710.00	29.00	87.00	5.36%

Health Center Fee:

The Student Health Advisory Committee (SHAC), which is comprised of Student Health staff and **eight students,** reviewed the Student Health and Counseling operating budget for the current and coming fiscal years.

Given increases in salaries and benefits for staff, increased demand for services, and inflationary increases in supplies the SHAC recommended a $4.00/term increase from $127 to $131 per term, per student that is enrolled for six or more credits; the fee is optional for students enrolled for less than six credits. Precise comparison of this fee to other universities is difficult, as other institutions begin fee assessment at varying credit hour levels.

WOU Health Service Fee Comparison

	Health Service		
UO	173.75	42.75	32.6%
Oregon Tech - Klamath	150.00	19.00	14.5%
EOU	150.00	19.00	14.5%
OSU	142.50	11.50	8.8%
WOU	131.00		
PSU	129.00	(2.00)	-1.5%
SOU	123.00	(8.00)	-6.1%
Oregon Tech - Wilsonville	15.00	(116.00)	-88.5%
OSU - Cascades	-	(131.00)	-100.0%

Vice President for Finance and Administration

345 Monmouth Ave. N. / Monmouth OR 97361 / 503.838.8459 / 503.838.8600(fax) / wou.edu

Student Health and Counseling Center Building Fee:

The Health and Counseling Building fee is a new fee that will be assessed beginning Fall of 2016. Revenue from this $11.00 per term fee will be used to repay a $1.9M loan from the WOU's Building Use Credit fund used as part of financing to construct a new facility of approximately 11,000 square feet with a total cost of approximately $3.9M. The loan has a 15 year term at 3.0% interest.

Since 2007, WOU has made efforts to expand the Student Health and Counseling Center (SHCC) in order to create additional space for staff to meet student mental health demand. Office space for these staff have been created in different ways. A conference room was eliminated and converted to two office spaces, the director of the SHCC moved to a smaller office and two medical providers were moved into his previous office in order to accommodate additional staff, medical exam rooms have also been converted to offices. Finally, counseling interns share office space. While the SHCC has improvised over the years to create space for staff and continue to provide quality service to students, the existing facility has no room for growth.

The concept of a new facility and related fee was discussed with various student constituent groups. The ASWOU President, ASWOU Senate, General Assembly (the residence hall government), Student Health Advisory Committee, Incidental Fee Committee, and Tuition Advisory Committee were consulted early in and throughout the 2016 academic year.

Additionally two student surveys were conducted to determine the student's willingness to pay an additional $10 - $11 per term for a new building, issues with the existing building, and additional student health services needed but not currently offered.

With overwhelming student support for the new building, over 80% of respondents confirmed their willingness to pay the fee in order to construct a new facility, the plan moved forward.

Financing for the construction follows:

Student Heath Building Reserve	$1,100,000
Student Building Fee XI-F Bond	900,000
* Building Use Credit Loan	1,900,000
Total Funding	$3,900,000

* 15 year term at 3.0% interest.

The Student Health Center fee, as well as the Student Health and Counseling Center construction and finance plan and associated student fee have been vetted with the WOU campus community, and approved by the Western Oregon University Board of Trustees.

Please feel free to contact me with further questions,

Eric Yahnke
Vice President for Finance and Administration, CFO
Western Oregon University

Vice President for Finance and Administration

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