Portland State University

Fiscal Year 2019-2020

Tuition Rate Recommendation

April 26, 2019

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Budget Context and Summary Recommendation

The legislative process that will establish the State of Oregon's budget for the 2019-2021 biennium is currently underway. The outcome of the budget process remains uncertain, although absent any changes or new revenue streams it is clear that the State of Oregon expects its revenue to fall short of its needs by approximately $623 million. The Governor's Recommended Budget (GRB) indicates a flat allocation to the state's Public University Support Fund (PUSF) of $737 million for the 2019-2021 biennium. In addition, the GRB did not include funding for the Sports Lottery program or Engineering Technology Sustaining Funds (ETSF). The state allocates 49% of the PUSF for the first year of a biennium and 51% in the second year. If the actual funding approved reflects the GRB, PSU can expect a 3.9% decrease of approximately $3.5 million in the PUSF and over $4 million in Sports Lottery and ETSF for a total decrease in state support of over $7.5 million during our next fiscal year 2019-2020 (FY20). The Co-Chairs' budget released on March 7th recommended an increase of $40.5 million to the PUSF, which is estimated to increase funding to PSU for FY20 by approximately $1.3 million, and made no commitment regarding ETSF or Sports Lottery funding.

At the same time Portland State University (PSU) faces a marginal increase or a potential reduction in state funding for FY20, the university continues to see significant cost increases. The State of Oregon's Public Employee Retirement System (PERS), which provides retirement benefits to state employees including qualifying university employees, is estimated to exceed a $26 billion unfunded liability. The PERS system will likely increase the rates it charges for the next several biennia to reduce this liability. For PSU, this biennium's rate increase results in an estimated $5.7 million in additional annual costs to the general fund for FY20. Concurrently, the cost of health care benefits will also increase, as will salaries and wages. In addition, PSU plans to designate an additional $1.5 million in recurring investments for student success and innovation initiatives. All together, general fund costs for FY20 are forecast to increase 6.1% or $18.6 million over the current fiscal year.

In consideration of the above factors, the Finance & Administration Committee of the PSU Board of Trustees indicated that absent an increase to the PUSF and restoration of Sports Lottery and ETSF allocations, tuition increases for resident undergraduate students could be as high as 14-18%. They were also concerned with the level of cuts necessary to reach a balanced budget and provided direction to use the $4 million normally set aside for risk abatement and no more than $5 million in deficit spending to offset budget reductions.

Unfortunately, the disparity between projected revenue and expenditures presents the university with a potential gap of over $20 million in FY20. As we consider the options available to close that gap in keeping with the directive received from the Finance & Administration Committee, it is important to remember that in five out of the last seven years the university has taken reductions to its current service level budgets. The information and analysis presented below provides details on the financial environment confronting the university as we establish tuition rates for the 2019-2020 academic year. In short, with continuing overall enrollment declines, decreased non-resident enrollment, the certainty of higher costs, and limited opportunities to fully close the resulting budget gap through additional reductions, increasing tuition rates will be necessary.

The tuition rate recommendation presented herein for 2019-2020 represents an increase of 11.11% for resident undergraduate students and slightly below 5% for non-resident and graduate students. This recommendation is based upon an increase of $40.5 M to the PUSF and assumes full restoration of ETSF and Sports Lottery dollars to PSU for the next biennium. A higher increase to undergraduate resident tuition rates of 15.8% is recommended if funding for these programs is not restored.

Tuition Setting Process

PSU engages in a collaborative tuition setting process with guidance provided by the Tuition Review Advisory Committee (TRAC) which includes students, staff, and faculty members. TRAC was established to provide a written report to the president of the university that sets forth the recommendations, deliberations and observations of the advisory body regarding tuition and mandatory enrollment fees for the upcoming academic year.

The committee is responsible for (1) providing opportunities for members of ASPSU and other students enrolled at PSU to participate in the tuition setting process; (2) gaining an understanding of the university budgeting process and the Higher Education Coordinating Committee (HECC) allocation mechanism for public universities; (3) providing recommendations and observations in regards to tuition and mandatory enrollment fees that consider the impact of the recommendation on historically underserved students, the mission of PSU, and alternative scenarios.

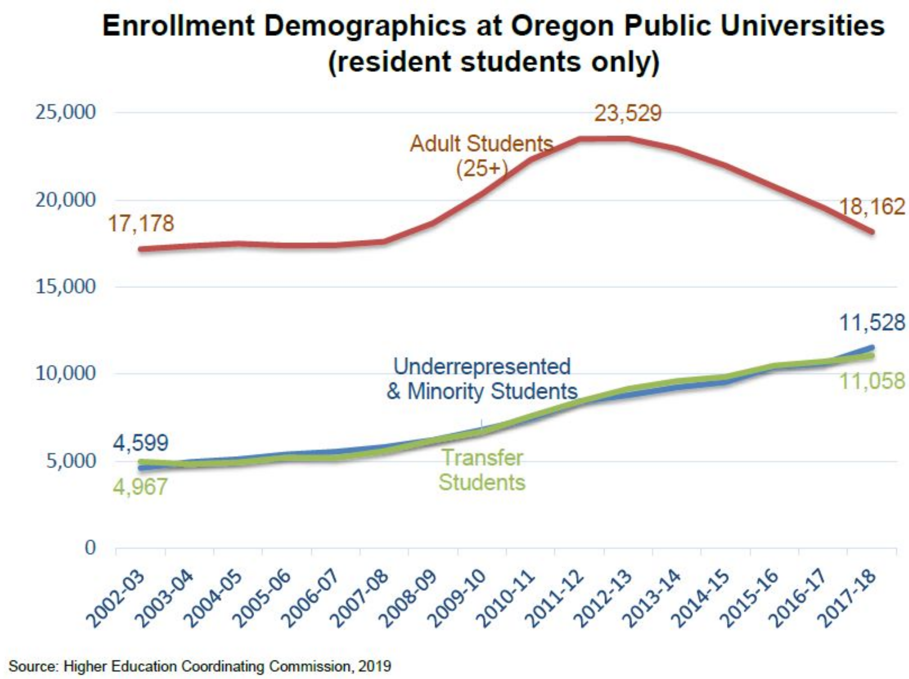
TRAC met ten times from November 2018 to April 2019 to consider the direction the university should take on its tuition and fee structure for the 2019-2020 academic year. The committee had broad representation with the Associated Students of Portland State University (ASPSU) representing students, the Faculty Senate Budget Committee providing a faculty perspective, and with representatives from the Finance & Administration, Enrollment Management, and Academic Affairs divisions providing data and support for the process (see Appendix I for a detailed list of attendees). The committee reviewed the university's current financial condition and forecasts of likely enrollment trends, cost drivers, and potential state funding scenarios. Meeting minutes, presentations and supporting information from all TRAC meetings are provided on the PSU Budget Office website at this address: https://www.pdx.edu/budget/tuition-review-advisory-committee-trac.

Additionally, at the request of students and with extensive student involvement in planning and recruitment of participants, the President and members of the university's executive leadership team have held four budget forums for faculty, staff, and students in order to share some short- and long-term plans for the university within its current budgetary context. Three of these meetings were student focused and the agenda was developed with the student members of TRAC. The link to budget forum presentations are provided in Appendix VIII. The information shared with TRAC was also shared with the Board of Trustees' Finance and Administration committee, the Faculty Senate Budget Committee, the university's Academic Leadership Team (ALT), and the ASPSU Student Senate. The views and concerns of TRAC and the input from all university stakeholders that has been shared over the last five months were considered in development of this tuition recommendation. A statement from the student members of the TRAC is included as an

Appendix II to this recommendation.

PSU Vision and Mission

PSU was founded in 1946 as a college for World War II veterans, and has grown into a comprehensive urban research university offering over 200 undergraduate and graduate degrees. Among our 28,000 students are many students transferring from other Oregon institutions, as well as students from historically marginalized and underrepresented racial and ethnic backgrounds, students with disabilities, first generation students and veterans. The 3-year average of resident undergraduate degrees awarded to Oregonians who are either Pell recipients, underrepresented minorities, veterans, or rural students is 1,900, which greatly exceeds those awarded by any of the other Oregon Public Universities (OPUs). As such, PSU plays a pivotal role in supporting a broad range of Oregon students, and their success depends upon our success.



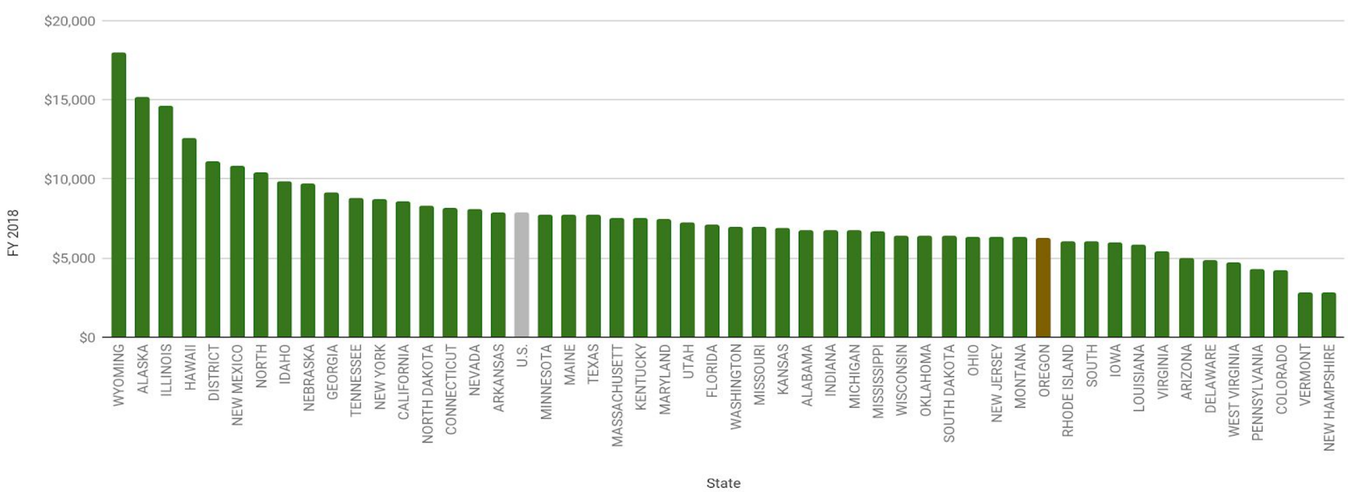
PSU's core mission to provide access to high quality postsecondary education to a diverse community of lifelong learners is deeply woven into the fabric of the university and allows us to be an agent for change in many students' lives. PSU serves and sustains the Portland region with creative, expert research and scholarship and by meeting the regional demands for a highly educated workforce. Our unwavering vision is to lead "the way to an equitable and sustainable future through academic excellence, urban engagement and expanding opportunity for all."

As Oregon's access university, the Board of Trustees strives to keep tuition and mandatory fees as low as possible. At the same time, the financial resources required to provide a supportive learning environment and wrap-around services that promote student success are substantial. Consequently, PSU faces a difficult dilemma. Addressing this dilemma will require disciplined use of resources to ensure that expenditures are clearly aligned with the institutional vision. Multiple years of budget reductions have pushed this approach to the limit, and the institution is in a fragile state where further reductions will dramatically impact the university's operations and the academic quality expected by PSU students and faculty. Absent offsetting increases in state support, successfully achieving the vision and mission of the institution are very likely to necessitate ongoing and substantial increases in resident undergraduate tuition rates in future years.

A Multi-year Perspective of State Funding

Oregon is not unique in the struggle to fund higher education, yet 2018 data suggests that it falls well below the national average in funding per full time equivalent students (FTE) and ranks 39th out of the states and the District of Columbia. Shown in the chart below, Oregon's 2018 allocation per student FTE was $6,237 compared to the US average of $7,853. This relative position has improved modestly, primarily as a result of the last three biennia which have seen increases in the total dollar allocation to fund the OPUs. While this increase has resulted in higher state appropriations on a per resident student basis, it followed a six biennium period in which state appropriations on a per resident student basis declined dramatically. After adjusting for inflation, the levels of funding proposed by the GRB for 2019-2021 remain below that in 1999-2001.

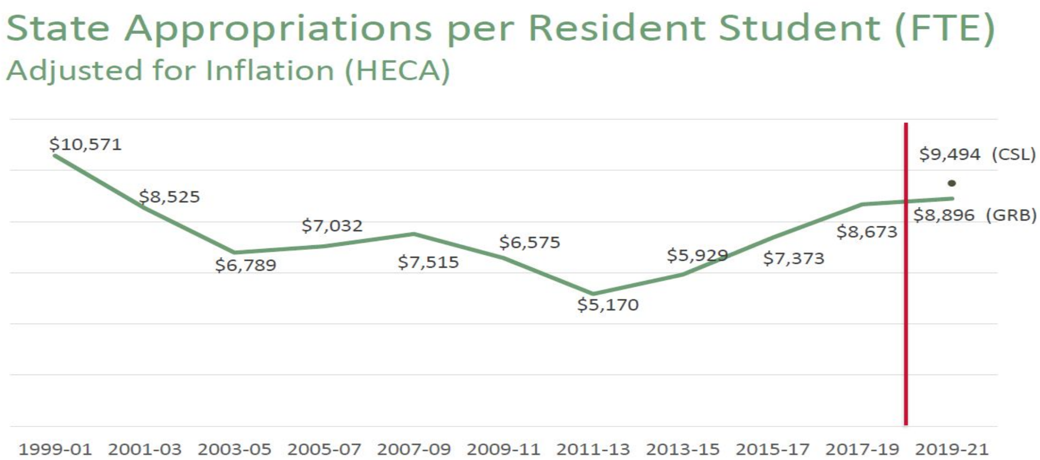
2018 State Educational Appropriations Per FTE



Notes:

- *Source: SHEEO (State Higher Education Executive Officers), State Higher Education Finance FY2018*
- *Data shown in constant 2018 $*
- *Note on Illinois: SHEEO noted that the increase there is entirely driven by the State addressing its historically underfunded pension system*

The following data obtained from the Higher Education Coordinating Commission (HECC) shows funding levels since the 1999-2001 biennium. Note that this data differs from that reflected in the SHEEO chart above by including debt service and state programs, excluding non-resident students, and differing inflation adjustments. However, the following demonstrates the change over time in constant dollars allocated to Oregon's universities, and shows that funding for the next biennium is likely to keep per student FTE funding below levels allocated in 1999-2001.



Notes:

- *Source:* *https://www.oregon.gov/highered/research/Documents/Legislative/HECC-WM-2019-DAYS-6-14-FINAL.pdf*
- *Includes Debt Service*
- *University data includes PUSF and State Programs*
- *Enrollment for 2017, 2018, 2019 assumed based on 2016 levels*
- *Inflation adjustment based on HECA (Higher Education Cost Adjustment)*
- *Excludes non-resident university enrollment*

For the 2019-21 biennium, the Governor's Recommended Budget includes no increases to the PUSF and cuts funding for ETSF and Sports Lottery. The Co-Chairs of the Ways & Means Committee in the legislature recommended increasing the PUSF allocation by $40.5 million and reviewing ETSF and Sports Lottery allocations. Either PUSF scenario presents challenges for Portland State University. Considering university funding is provided in a 49%/51% split over the two years of the biennium, funding at the level proposed by the Governor would result in a $3 million loss of general funds for the next fiscal year while the Co-Chairs' recommended budget would likely translate into a $1.3 million increase for PSU. Either scenario produces a significant funding gap when considering the $18.6 million in additional general fund costs the university will incur in the coming year, which are discussed at length below.

The disinvestment in higher education over time, on a per student basis, means that students must cover a larger share of the cost of their education via tuition, and that OPUs must make budget reductions that impact student success, academic quality, safety, and compliance in order to prevent even steeper tuition increases. Additionally, PSU faces factors that exacerbate this problem. Despite having the largest population of students with financial need, the most diverse student population, and higher expenses associated with student support services, the institution is forecast to receive the lowest allocation of state PUSF through the Student Success and Completion Model (SSCM) on a per Oregonian degree basis, and the second lowest on a per resident Student Credit Hour (SCH) basis. The table below shows that assuming adoption of the Co-Chairs' recommended budget, PSU would be allocated $16,979 per degree and $136.82 per SCH without restoration of ETSF and Sports Lottery. If those programs are restored, funding increases to approximately $17,537 per degree and $141.31 per SCH. PSU's position relative to the other universities would remain unchanged.

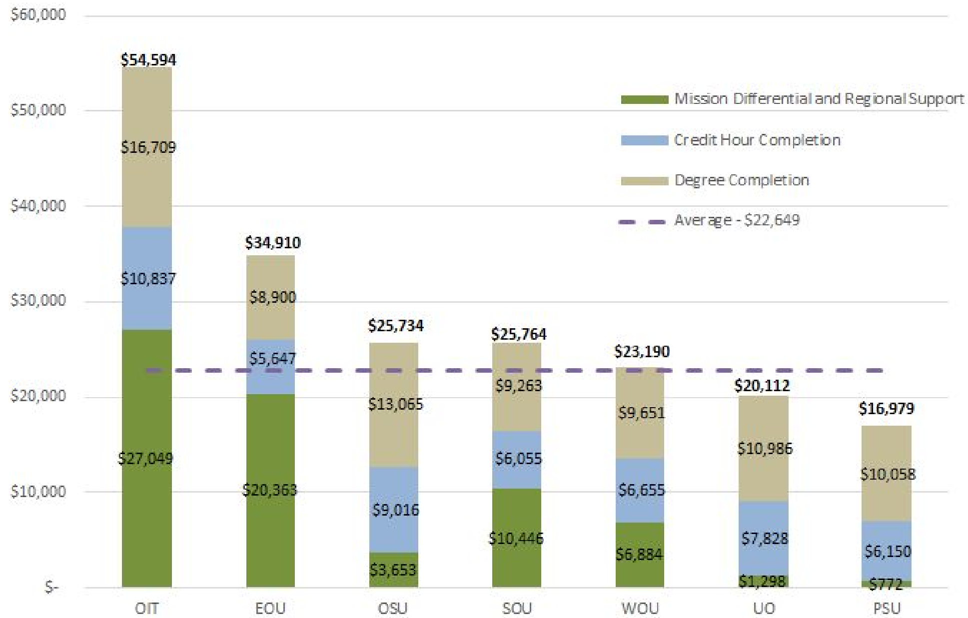
State Appropriation Analysis

		3 Year Average (Resident)		3 Year Average of Degrees by Number of Targeted Characteristics*				3 Year Average (Resident)	
	Estimated FY20 PUSF Allocation	**Total Degrees**	**$/Degree**	1	2	3	4	SCH**	$/SCH
Eastern Oregon University	$19,980,352	572	$34,9108	205	84	6	0	71,984	$277.57
Oregon Institute of Technology	$27,770,186	509	$54,594	256	80	11	0	113,683	$244.28
Oregon State University	$124,519,399	4,839	$25,734	1,627	524	71	0	772,414	$161.21
Portland State University	**$92,705,699**	**5,460**	**$16,979**	**1,929**	**595**	**23**	**0**	**677,595**	**$136.82**
Southern Oregon University	$21,598,730	838	$25,764	296	98	16	0	118,436	$182.37
University of Oregon	$69,273,893	3,444	$20,112	1,055	398	47	0	533,917	$129.75
Western Oregon University	$25,091,462	1,082	$23,190	350	187	26	0	163,980	$153.02
	$380,939,721								

Notes:
**3 year average of the count of resident Bachelor's degrees awarded to students with a given number of targeted characteristics (PELL Recipient, Rural, Veteran, Underrepresented Minority)*
***Includes Dual Credit Hours*

The major contributing factor to the funding inequity is the base funding (also known as mission differentiation and/or regional support) provided in the SSCM to each of the OPUs. The chart below shows the components of the SSCM model and how base funding, seen in green, contributes to the university's overall funding compared to the performance measures including both degree and credit hour completion.

Estimated Total State Allocation per Degree - FY20

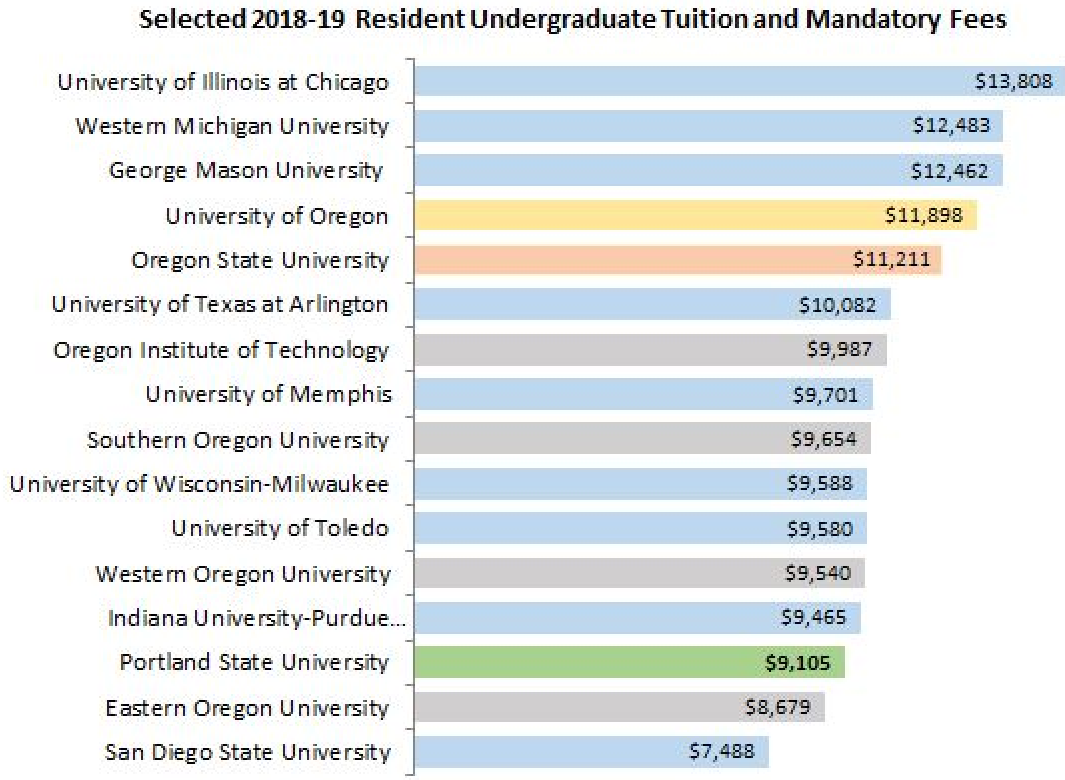


In short, despite reinvestment in higher education during recent budget cycles, that momentum is lost with the budget proposals currently under consideration for the 2019-2021 biennium.

PSU Commitment to Affordability

Comparison of Resident Tuition and Mandatory Fees

PSU's commitment to access, equity, and affordability requires a deliberate tuition setting process that takes into consideration the current and future impact of all component costs of obtaining a university degree. We are aware that tuition and mandatory fees are just a portion of the costs necessary to attend college, and it is imperative that we consider the full cost of attendance, though many of these costs are outside of our control. Tuition and mandatory fees are institutionally-established costs that can be assessed against both other OPUs and similarly situated national peers.



As shown in the chart above, PSU's current undergraduate resident tuition rate of $9,105 for a full-time student is the second lowest of the OPUs (approximately 19% and 23% less than OSU and UO, respectively). If none of the other Oregon universities increased tuition rates, a highly improbable assumption, the proposed tuition and fees increase would result in PSU charging slightly higher rates than the Oregon Institute of Technology's FY19 rates. Assuming other institutions increase resident undergraduate tuition by 5% or more, our proposed rate would still be among the lowest in the state.

Students and the State of Oregon reasonably focus on the rate of tuition increases, rather than the specific dollar amount. In 2013, when the legislature approved independent governance at OPUs, they required universities to obtain legislative or HECC approval for resident undergraduate tuition rate increases exceeding five percent. The focus on the rate of change rather than the dollar amount itself means that institutions charging lower tuition rates are disadvantaged in raising revenue in the face of state disinvestment. Conversely, higher initial tuition rates translate into higher revenue generation at lower percentage increases. For example, the table below shows the changes in the undergraduate resident tuition in dollars and percentage increases for Eastern Oregon, PSU and OSU over the last 3 years. Although as a percentage OSU kept its <u>rate</u> increase lower than PSU and Eastern for 2018-2019, the <u>dollar</u> increase was higher: $324 at OSU compared to $322 at PSU and $317 at EOU.

Undergraduate Resident Tuition Increase Comparison					
	Fiscal Year 2016-2017 (FY17)	**Fiscal Year 2017-2018 (FY18)**	**% and $ impact**	**Fiscal Year 2018-2019 (FY19)**	**% and $ impact**
Eastern Oregon	$8,004	$8,362	4.3% and $368	$8,679	3.8% and $317
PSU	$8,337	$8,783	5.1% and $446	$9,105	3.6% and $322
OSU	$10,366	$10,797	4% and $431	$11,121	3% and $324

Rather than using a particular percentage increase as the sole basis for analysis and approval, PSU, its Board of Trustees, and the HECC should also consider the dollar impact. Even with the proposed undergraduate resident tuition increase of 11%, PSU remains one of the lowest cost public universities in Oregon. PSU is committed to access and affordability, though lower tuition rates combined with the lowest PUSF allocation per degree creates an increasing gap in funding that is not sustainable.

Cost Containment and Efficiency

In five of the last seven years the university has engaged in cost-cutting. During that time, the university reduced budgets by almost $30 million from current service level forecasts in the 2012-2018 period as follows.

E&G Budget Reduction History

Fiscal Year 2011-2012 (FY12)	Fiscal Year 2012-2013 (FY13)	Fiscal Year 2013-2014 (FY14)	Fiscal Year 2014-2015 (FY15)	Fiscal Year 2017-2018 (FY18)
$3.6 million	$5.6 million	$5.7 million	$6.5 million	$8.2 million

The reductions were undertaken with the specific intent to protect revenue generation and preserve the core academic mission. That goal was achieved, however, the prospect of additional new reductions makes the choices available more and more difficult.

Cost containment was achieved through employee terminations, early retirement incentives, and positions left vacant. Since 2011, over 100 employees have been terminated due to budget reductions, while an additional 50 employees voluntarily retired early as participants in a retirement incentive program. We have sought to control costs associated with both management and executive level administration. The following table represents where PSU and the other OPUs rank against 692 US 4-year public universities in terms of number of full time managers per 1000 unduplicated undergraduate and graduate students.

A Comparison of Managers per 1,000 Students			
Rank	**Institution**	**Full-time managers per 1,000 students**	**Spending on managers' salaries per student**
301	U. of Oregon	8.5	$1,130
316	Oregon State U	8.2	$1,145
506	Eastern Oregon U	4.8	$451
570	Oregon Institute of Technology	3.5	$355
586	Western Oregon U	3.2	$349
614	**Portland State U**	**2.5**	**$339**
681	Southern Oregon U	1.1	$157

Notes:
Source: Chronicle of Higher Education, online, September 18, 2018. (https://www.chronicle.com/article/Which-Colleges-Have-the-Most/244519). The analysis was derived from Integrated Postsecondary Education Data System (IPEDS).

For additional context, the public institutions ranking at the top of this list have 40 - 62 managers at a cost of $4,000 - $5,000 per student, versus $339 per student at PSU. In fact, this data demonstrates that nearly 89% of four-year public colleges have more managers than PSU. At PSU, the total compensation of the executive level cabinet and the academic deans represents just 1.5% of the overall general fund budget (for perspective, the current service level increase for FY20 is 5.9%) and the majority (>80%) of these employees are paid less than the market median for their position benchmarked against a comparator group of universities. Looking at the larger group of people in management positions at PSU, salaries as of November 2018 were approximately 92% of the market median for their roles. PSU continues to assess administrative positions, and eliminated a number of them in recent years resulting in almost $500,000 in annual savings. These changes created a flatter organization structure, and increased the number of direct reports for university executives and many working managers (those who both perform a primary job function and manage people). The arrangement is out of step with best practices for effective management, but allows PSU to contain costs. However, it also means the opportunity to find additional savings through further reductions in management level positions is limited.

PSU is also committed to finding other cost savings and efficiencies and continually wrestles with hard choices as outlined by the following examples:

- Discontinued Higher-One contract and closed Perkins loan program for PSU students (2017-2018) (~$85,000);
- Limited budget to meet the recurring disability accommodation needs of students (current shortfall for FY19 is ~$300,000 to $500,000);
- Severely underfunded campus public safety (minimal cameras, access controls, sworn and non-sworn officers);
- Minimal emergency management staffing and resources;
- Struggled to meet compliance minimums in safety programs (fire & life safety, lab safety,

occupational health);

- Limited maintenance on buildings and systems;
- Meet only a small portion of building accessibility improvement needs each year;
- Over a six year period, increased annual engineering degrees (500 to >600) with >10 % reduction in tenured faculty;
- Developing a debt portfolio, private use monitoring, and record retention system in 2019-2020 ($225,000 one time software expense and $40,000 yearly in software maintenance expense);
- Reduced the cost of risk financing by 24% since FY14;
- Built and integrated software systems to handle travel reimbursements, electronic leave reporting, new employee hiring (approximately $60,000);
- Utilities savings through use of multiyear contracts (over $500,000/year in savings) and multiple energy efficiency projects (over $200,000/year in savings);
- Information technology has extended equipment replacement cycles for, labs, classroom technology, desktop computers, and infrastructure beyond recommended industry standards by an average of 2 to 3 years.

These cuts have led PSU to become more and more efficient, and to operate with minimal staffing. For instance, the university has only one individual assigned full time to emergency management, and 1.5 FTE devoted to treasury services (managing a $590 million budget). In terms of information technology (IT) the annual budget per student FTE is less than 75% of that for other comparable institutions (taken from a database provided by Educause, the national higher education IT organization with over 2,300 member institutions). PSU has approximately 33% of the national university average of 1.7 public safety/police officers per 1,000 students. PSU is similarly understaffed in offices responsible for financial aid, human resources, and student financial services. Funding cuts result in safety and compliance concerns and inadequate campus-wide services to students, faculty, and staff. The cuts also led to $300 million in deferred maintenance (excluding asbestos abatement, accessibility and seismic improvement needs). Increasingly, limited and targeted state capital funds are the principal source of funding for renovation projects which leads to further backlogs of deferred maintenance and deterioration of academic buildings.

As indicated above, PSU prioritizes the academic mission and student success, notably in terms of academic advisors. In 2017, the advisor-to-student ratio was 1:740. The national median advisor-to-student ratio is 1:296, and when factoring in institutional size, this ratio changes to 1:233 at small institutions, 1:333 at medium-sized institutions, and 1:600 at large institutions.[1] Through a strategic investment process, PSU hired additional advisors and the current advisor-to-student ratio is 1:400. A significant budget reduction would likely undo this investment and the important impact it is having on student success.

Challenges to PSU's Commitment to Affordability

As demonstrated above, PSU has kept its resident undergraduate tuition and mandatory fees significantly lower than that most of the OPUs. At the same time, funding from the State of Oregon to the PUSF has not been restored to the pre-recession levels, and the allocation of funding to PSU for each resident student credit hour is the second lowest among the OPUs, despite granting more degrees to Pell-recipients, veterans, rural students, historically underrepresented, and minority students. However, while our tuition rates and state funding are lower, our institution has very similar costs compared to the other OPUs.

[1] Robbins, R. 2013. Advisor Load. National Academic Advising Association. Retrieved from https://www.nacada.ksu.edu/Resources/Clearinghouse/View-Articles/Advisor-Load.aspx

Notably, we have the same contribution rates for retirement plans, comparable health care costs, and similar upward pressure on salaries and wages for our faculty and staff. In some cases the costs at PSU are higher. For instance, on July 1, 2019 the minimum wage within the Portland urban growth boundary will increase to $12.50/hour compared to $11-$11.25 in all other regions in the state. Nevertheless, PSU has operated with a balanced budget through careful management of its resources and a long-term commitment to efficiency. Those factors, considering the magnitude of the budget gap discussed below, leave PSU with few options for additional reductions without significantly impacting student success, academic quality, safety and compliance. Absent further investments by the state, an increase in tuition rates is the only viable alternative to closing a budget gap between our revenues and expenses.

FY20 Context: Revenues and Expenditures

University Revenue Forecast

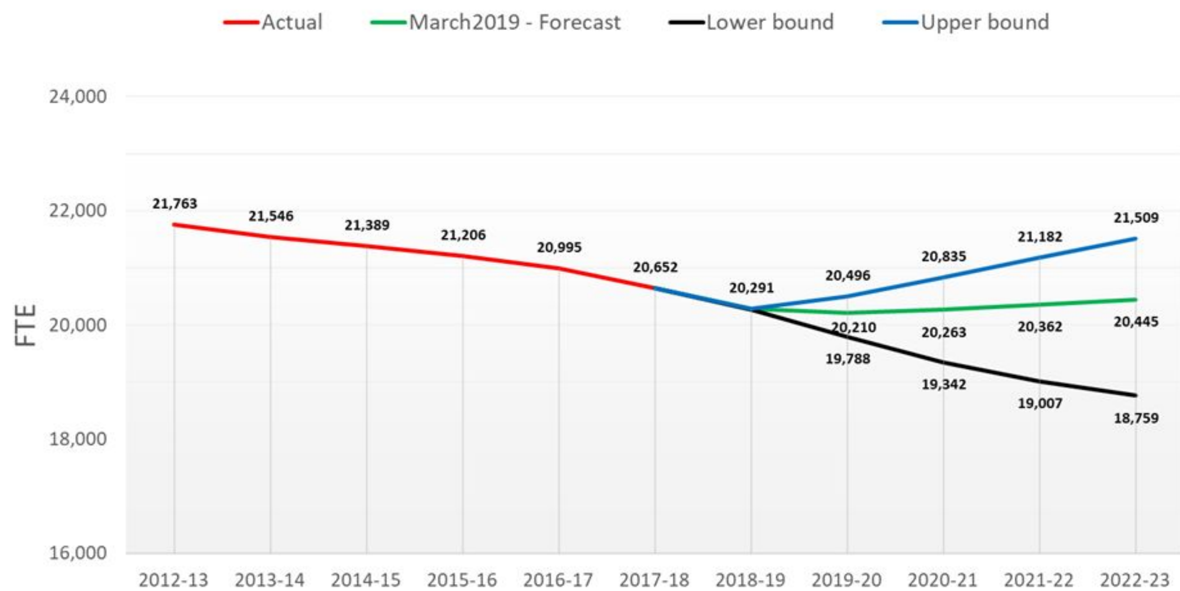
Over 98% of university general fund revenue is comprised of net tuition and state allocated funds from the PUSF. Net tuition revenue (tuition collected after applying tuition remissions) is approximately 66% of general fund revenue, and a function both of tuition rates charged to students and the number of students enrolling in classes. The State of Oregon's allocation to the PUSF is a legislatively determined amount, which is distributed to individual universities based on the SSCM which includes a base allocation as well other factors such as degrees granted and student credit hours. During some historically lean cycles, including the 2008-2010 recession when economic conditions forced a period of reduction in state support for higher education, PSU was able to rely on enrollment growth and short-term deficit spending to avoid significant financial impacts.

Recent years, however, have seen declines in enrollment, which reflect national trends at other universities. Looking ahead, flat to declining numbers of high school graduates and similar trends at Portland Community College, the pathway to PSU taken by a large majority of students, combine to suggest that enrollment challenges are likely to persist. In an effort to reverse this trend, PSU is implementing a range of measures, which, if successful, will take time to realize results. Given the impact enrollment has on the university's total revenue projections, a multi-year enrollment forecast is the foundation for our revenue projections.

Multi-Year Enrollment Forecast

After peaking in 2011, the number of students attending PSU flattened and then declined. Developing a forward-looking model to project enrollment for the coming years requires a number of assumptions. The baseline forecast considers the actual yield and persistence trends experienced at PSU over the last five years for both undergraduate and graduate students to estimate the expected number of continuing students. To estimate numbers of new students, the model considers actual and estimated changes in Portland Metro area high school senior populations, applicant data, and the impact of PSU's tuition remission programs.

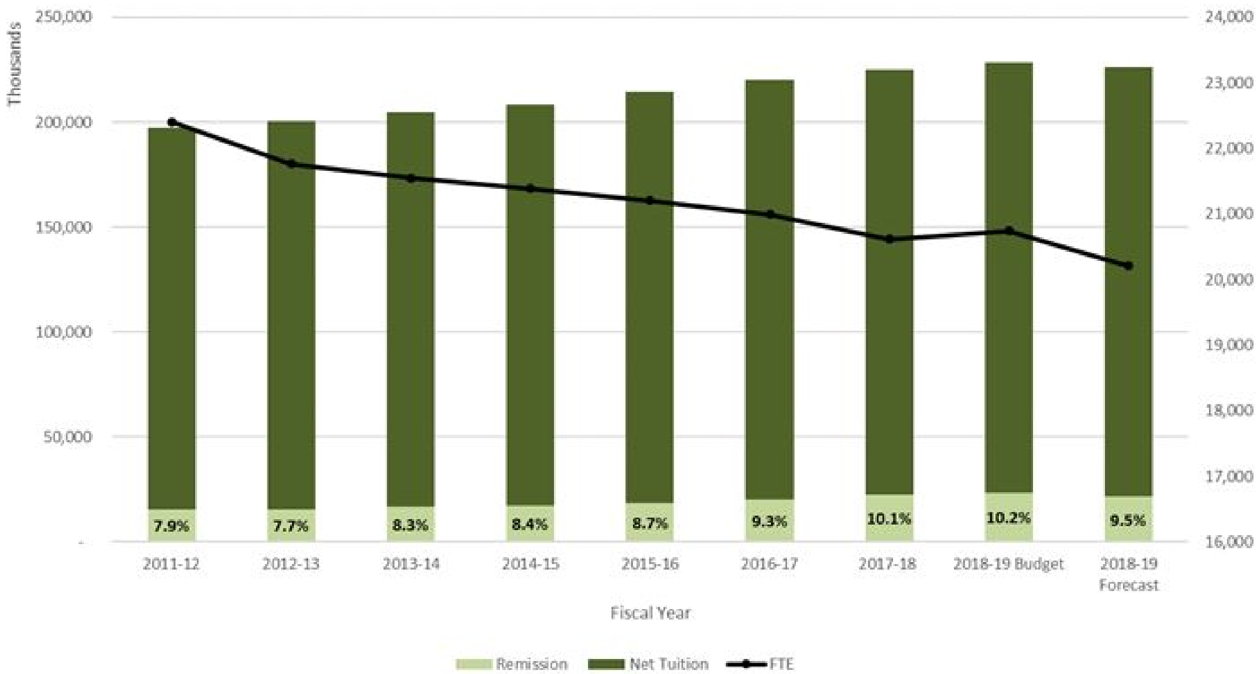
Multi-Year FTE Enrollment Forecast - All Students



The upper range, in blue on the chart above, shows growth that can only be achieved with year-over-year increases in new student enrollment of 2-3%. The lower black range forecast suggests enrollment will continue to decline at approximately 2-3% a year. The green baseline scenario, which is being used in the current budget forecasts, assumes enrollment declines are offset by improvements in student retention rates. In both the lower range and baseline scenarios the forecast predicts a continued decrease in overall non-resident student enrollment, which the university experienced in 2018 and 2019. Historically, the university built budgets based on increased or flat enrollment and made adjustments as the actual enrollment fell short of targets. As the FY20 budget is established, it is important to recognize that enrollment may decline by incorporating a margin for fluctuations in the budget or ensuring there are sufficient reserves to cover a miss in the revenue forecast.

Concurrently, while enrollment has decreased overall for the last seven years, tuition discounting has increased. Enrollment has shown a steady decline (expressed in student full time equivalents - FTE) since 2012. This trend is depicted as a black line in the following graphic, using the scale on the right hand which shows student FTE. Over the same time period, tuition remissions as a percentage of gross tuition revenue have increased as shown in the green bars of the graph using the scale showing dollars on the left side. 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. The combination of lower enrollment and discounting has offset revenue gains from tuition increases and net tuition revenue has flattened.

Tuition, Enrollment and Remissions



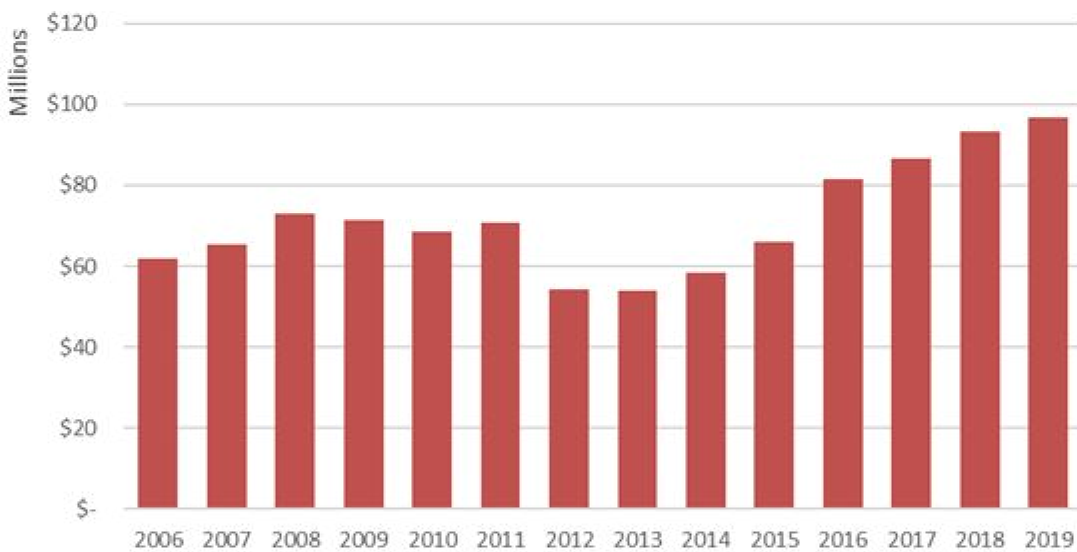
Increased tuition remissions are part of an important effort to narrow the gap between students' financial need and total financial aid provided, and are a key strategy for student recruitment. As part of that strategy, in Fall 2018 the university introduced the Four Years Free remission program that covers standard tuition and mandatory fees for eligible Oregon residents. While the Four Years Free program is limited to incoming freshman, in Fall 2019 a similar remission program was established for transfer students called Transfers Finish Free.

These two new programs are exciting tools to address both issues of recent enrollment declines, and affordability for many of our students. They do, however, require some heightened attention to the university's total net tuition trends. Four Years Free and Transfer Finish Free operate as tuition guarantee programs wherein increased revenue from participants will only come from increases to their federal or state grant support, which limits the revenue impact of future year tuition increases. It is essential that PSU considers this impact during present and future tuition setting and tuition remissions processes to ensure stability in net tuition revenue.

Public University Support Fund

Some of the challenges PSU faces with the cyclical nature of state allocations to the PUSF were described above. It remains clear from looking at historical funding levels that economic conditions and the challenges of a significantly underfunded state retirement system greatly impact this important source of revenue for the university. The 14 year period shown in this chart of annual state allocations to PSU reflects the reductions that resulted from the protracted national recession, as well as the reversal of that trend between 2014 and 2019.

Total State Appropriations (not including debt service)



Notes:

- *Data shows actual annual allocations to PSU from the PUSF, State Programs and ETSF*

The increase in state funding over the last six years has been unquestionably important to PSU students, faculty and staff. Indeed, the additional funding allowed PSU to make modest investments in endeavors to support students and our core academic mission, as well as mitigate some of the impact of cost drivers (notably increased employer retirement contributions) on tuition costs. This increased funding at times was accompanied by a reduction in planned undergraduate tuition increases allowing students to directly benefit from the state's higher education investments.

As we look to the next biennium, an increase of $40.5 million to the PUSF, as contemplated in the co-chairs' budget framework, provides an increase from FY19 to FY20 of only $ 1.3 million for PSU. It is also 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 current PERS unfunded actuarial liability of approximately $26 billion serve to limit the state's ability to continue increasing the higher education allocation. Thus, it is prudent for the institution to plan for a future in which state allocations could continue to increase minimally, or even decrease.

Total Revenue Forecast

Forecasting involves making assumptions based on current knowledge and reflecting on historic trends, but they are inherently subject to uncertainty that increases for each year projected. The starting point was created using a baseline general fund forecast in which revenue growth for FY19-21 arises entirely from a change in student enrollment with no tuition increases and an increase of $40.5 million to the PUSF in the next biennium. As shown in the chart below, this starting baseline forecast demonstrates that revenue generated in fiscal year 2019-20 (FY20), despite higher levels of state funding for the biennium, will decrease primarily as a result of lower non-resident enrollment and the 49/51% state appropriation biennial split. In the outyears, the baseline forecast assumes that revenue might increase slightly, as a result of increases in retention rates and a refinement of enrollment efforts. Over this four year period, the forecast revenue declines a total of $7.2 million. As previously noted, a continued trend of increased discounting, or further enrollment declines would exacerbate the revenue shortfall.

Budget Year	Estimated Net General Fund Revenue (in thousands)	Change from Prior Year
2018-19 (FY19)	$307,218	
2019-20 (FY20)	$303,393	-$3.8 million
2020-21 (FY21)	$305,337	$1.9 million
2021-22 (FY22)	$299,980	-$5.4 million

Unfortunately, this cumulative $7.3M forecast loss in revenue will not allow the university to keep pace with rising costs, resulting in a significant gap between anticipated revenue and expenditures.

University Expenditure Forecast

To accompany the following discussion of the university's expenditure forecast, the following table shows general fund expenditures for the fiscal years from 2014 to 2019.

General Fund Expenditure History Fiscal Years 2014-2019 (000s):

	2014	2015	2016	2017	2018	2019 Budget	Change 2014-19	% Change 2014-19
Salary & Wages	$141,236	$138,543	$146,440	$154,032	$157,002	$167,504	$26,268	18.6%
Other Pers. Exp	$67,082	$64,915	$68,227	$71,711	$76,629	$83,325	$16,243	24.2%
Services & Supplies	$39,825	$46,637	$50,677	$49,954	$48,417	$56,388	$12,563	31.5%
Total General Fund	***$248,143***	***$250,095***	***$265,345***	***$275,697***	***$282,047***	***$307,218***	***$55,075***	***22.2%***

Comparing 2014 with 2019, total university general fund expenditures increased by $55 million with the largest driver of this trend being personnel costs. These increases exceed standard measures of inflation (CPI) and have occurred during a period of decreases in overall student enrollment. Furthermore, this cost increase has happened despite the implementation of significant budget reductions.

Cost Drivers

For FY20 the following are forecast to be the primary drivers of increased costs:

Cost Driver	FY20 Increase
Salaries and Wages	$7.1 million
Retirement Benefits (PERS)	$5.7 million
Health Care Benefits (PEBB)	$1.4 million
Other Payroll Expenses	$1.3 million
Services and Supplies Inflation	$1.6 million
Student Success & Innovation Initiatives	$1.5 million
Total Estimated Annual Expenditure Increase	**$18.6 million**

Salaries and wages are driven by a number of factors including collective bargaining agreements with faculty, staff and graduate assistant unions, and state-mandated minimum wages increases. The forecast assumes no increase in employee headcount.

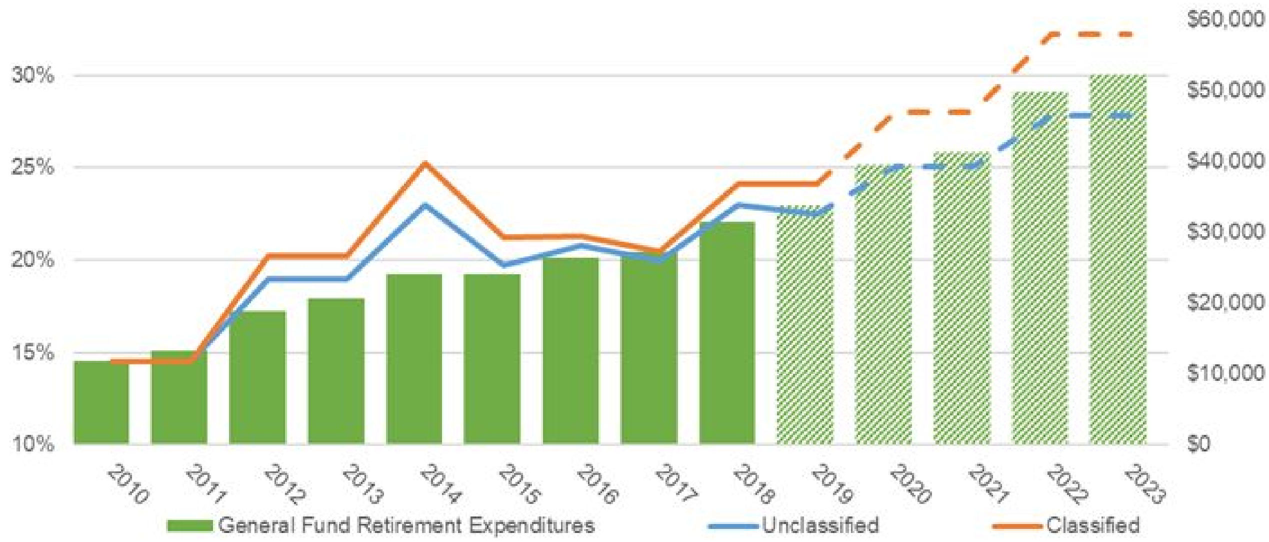
Using currently available information on PERS contribution rates combined with traditional cost increases in salaries, wages and services and supplies, the following table forecasts general fund expenditures for the next three years using the current year (FY19) as the starting point:

Budget Year	Estimated Costs (in thousands)	Change from Prior Year
2018-19 (FY19)	$307,218	
2019-20 (FY20)	$325,847	$18.6 million/6.1%
2020-21 (FY21)	$340,749	$14.9 million/4.6%
2021-22 (FY22)	$362,587	$21.8 million/6.4%

This forecast demonstrates the upward trend with cost increases exceeding standard measures of inflation (CPI). The total growth in expenditures shown is $55.4 million, which is 18% over a four-year period and consistent with the 22% increase observed over the previous five years. Increases of this magnitude result from the compounding effect of increases in benefits costs and salary increases in previous fiscal years. In addition, the continued implementation of increases to the Oregon minimum wage drives some of the increased costs for FY20 and beyond.

As a participant in the Oregon Public Employees Retirement System (PERS), the university's retirement benefit costs are driven by this state-managed agency. Recognizing its large unfunded actuarial liability, the agency has increased rates and is expected to continue doing so through the next three biennia. PSU has experienced increases in general fund retirement costs of 183% or $21.8 million since 2010, which is an average annual increase of 18.3%.

Retirement Contribution Rates and General Fund Expenditures



Personnel costs represent over 80% of the university's total general fund expenditures. As such, wages, salaries and benefits, even if there are no increases in total employment, are the greatest driver of rising costs. The same forces drive increasing costs for all state agencies constraining the state's ability to fully fund the increased costs.

Approximately 0.2% of the general fund expenditure increase for FY20 is related to $1.5 M in investments in innovation and student success. Through April 2019, PSU solicited over $4 million in requests (see Appendix V for a full listing of the requests). From these the following were selected for funding by the university's Executive Council:

- $240,000 for the Financial Aid department to ensure disbursement of federal aid, provide improved response time to student questions, and to resolve the compliance issues that potentially jeopardize receipt of Title IV funds;
- $180,000 to create a Transfer Student Success Center to improve the matriculation and subsequent success of transfer students who comprise the majority of PSU's undergraduate student body;
- $300,000 for accommodations to support students with disabilities, an area that is currently significantly underfunded;
- $300,000 for campus public safety improvements in response to a comprehensive external study during 2018-2019 that identified a significant number of needed campus safety investments in both facilities and personnel;
- $200,000 to support student-led investments in success. This allocation resulted from student requests at TRAC meetings and budget forums that the university give them meaningful input into

student success initiatives;
- $280,000 for information technology partnerships for student success initiatives to support new applications that ease the administrative burden on students as they work towards their degree such as the online degree planner, myNextSteps, and a mobile-friendly student web portal.

Budget Gap

Combining the general fund revenue and expenditure forecasts discussed in the previous two sections demonstrates the magnitude of the growing budget gap (the gap is larger if we need to use our general fund to cover expenses supported by ETSF and Sports Lottery):

Budget Year	Estimated Costs (in thousands)	Estimated Net Revenue (in thousands)	Budget Gap
2018-19 (FY19)	$307,218	$307,218	$0
2019-20 (FY20)	$325,847	$303,393	-$22,454
2020-21 (FY21)	$340,749	$305,337	-$35,412
2021-22 (FY22)	$362,587	$299,980	-$62,607

Levers to Close the Budget Gap and Reach a Balanced Budget

There are few options available to close the budget gap: tuition increases, budget reductions, changes to tuition remissions programs, and use of university reserves. Choices made regarding each lever to some extent impact the ability to use the others, which will be discussed below.

Tuition Increases

In consultation with TRAC, a number of tuition rate scenarios were considered including 0% for all student categories up to 18% for resident undergraduate students. Each scenario assumed ETSF and Sports Lottery funding would be restored to at least the FY19 level.

	Approximate Resident Undergraduate Tuition Increase**						
Biennial Increase to PUSF*	0%	3%	5%	9%	11%	14%	18%
$0	$25-27M	$18-20M	$17-19M	$14-16M	$12-14M	$10-12M	$7-9M
$40 million	$21-23M	$14-16M	$13-15M	$9-11M	$8-10M	$5-7M	$2-4M
$80 million	$15-17M	$9-11M	$7-9M	$4-6M	$3-5M		
$120 million	$10-12M	$3-5M	$2-4M				
$186 million	$1-3M						

Notes:
**Assumes restoration of ETSF and Sports Lottery*
***Assumes 5% increase for non-resident and Graduate tuition rates with the exception of the 0% scenario*

The table above presents tuition increase options for undergraduate resident students across the top and multiple scenarios for the increase to the PUSF in the 19-21 biennium down the side. The resulting intersection of the tuition increase and the increase to the PUSF provides an estimate of the budget reductions PSU would need to take in that scenario. For example, if PSU's undergraduate resident tuition increase was 3% and the PUSF were to increase by approximately $40 million, budget reductions of $14-16 million would be required. The following discussion focuses on three of these possible scenarios.

No tuition increases to any student type:

Feedback from the student representatives on the TRAC during the very first meeting indicated a desire to pursue no tuition increases for any category. With no tuition increases, it was determined that the PUSF would need increase by a minimum of $186 million for the biennium. Even assuming that increase, PSU would need to reduce budgets by $1 to $3 million. TRAC examined other scenarios as well, including the Co-Chairs' budget framework, and each one resulted in the need for substantial budget reductions ranging from $10 - $27 million.

With no tuition increases and $40.5 million added to the PUSF, PSU would need to find between $21 and $23 million in reductions. As discussed in Cost Reductions section below, reductions of that magnitude would have a crippling effect on the university. We also considered deficit spending to bridge the loss of revenue. As detailed in the University Reserves section below, PSU has made modest increases to our reserves in recent years, although they remain lower than benchmarks and Board of Trustees goals. Planned spending of recurring costs on one-time reserve funds does not solve a structural budget deficit and deficit spending would place PSU in a very precarious situation in future fiscal years.

Approximately 5% increase to all student types:

ORS 350.075 prescribes the HECC's obligation to "Review and determine whether a proposed annual increase of resident undergraduate enrollment fees of greater than five percent is appropriate." As such, PSU explored options around keeping all tuition increases just below 5%. In order to keep tuition increases at or below 5% the PUSF would need to increase by at least $120 million, and $2 to 4 million in reductions would need to be found. Assuming a $40.5 million increase to the PUSF combined with 5% tuition increases for all student categories, reductions would need to range from $13 to $15 million.

A $15 million reduction to the general fund could not be achieved. As described in the Cost Reductions section below, the university could find up to $10 million through difficult reductions but could not identify further reductions that would not lead to short and long term harm to the institution and the students. A 5% tuition scenario, like the 0% scenario would require deficit spending on the part of the university with all of the associated issues. In addition to cost reductions and deficit spending, the 5% tuition scenario would also limit the amount of university remissions available to offset the cost of education for our students. As detailed in the Tuition Remissions section below, a large portion of our remissions are used to support underrepresented Oregonians. Given the impact of reductions, deficit spending and tuition remissions the 5% scenario is not feasible.

Approximately 11% for undergraduate resident and 5% for all others:

For this scenario, PSU's tuition rates were compared to the other OPU's and selected national peers. Resident undergraduate tuition is one of the lowest in Oregon and among this group of peers. Non-resident and graduate tuition rates on the other hand, fall into the middle or upper end of the range of peer institutions. Double digit increases in these categories would likely make PSU uncompetitive for students, and as non-resident and graduate rates are currently two to three times higher than resident undergraduate rates, a similar percentage increase would have a disproportionate dollar impact on students.

An 11% increase to the undergraduate resident rate, assuming other OPU's increase their rates by 5% or more, would still place PSU as one of the bottom three rates in the state. This increase in conjunction with a $40.5 million increase to the PUSF requires PSU to reduce the forecasted FY20 general fund budget by $8 to $10 million, the maximal level of reductions that could be identified through our institutional budget reduction process.

Each of these and several other scenarios were considered in light of their impact on the other levers with TRAC, the university's executive and academic leadership teams, students, faculty and staff. Every scenario requires significant budget reductions, as outlined in the next section.

Cost Reductions

Throughout FY19, each university division examined potential reductions to their budgets along with an assessment of the associated impact. The formal process for collecting this data was initiated on March 19th, and the University Executive Council reviewed proposed reductions on April 9th. A total of $10 million in reductions (including $4 million in funds set aside for risk abatement) were identified. Examples of reductions within this $10 million include:

- Additional reductions of administrative positions;
- Reductions in class offerings and strategic elimination of tenure track positions as a result of retirements;
- Reduction of funds for classroom maintenance;
- Reductions in student employment across the institution;
- Shift of research support personnel costs from general funds to overhead funds provided with grants, thereby reducing funds available for research development and support activities like faculty startup;
- Reduction in the amount of graduate assistant support leading to decreased graduate enrollment and less classroom and research support;

- Reducing the recruitment travel and outreach to rural Oregon and non-resident markets.

An additional $6 million in reductions were analyzed and rejected based on their impact on timely graduation, student support and success, and impacts to revenue. Examples of these reductions include:

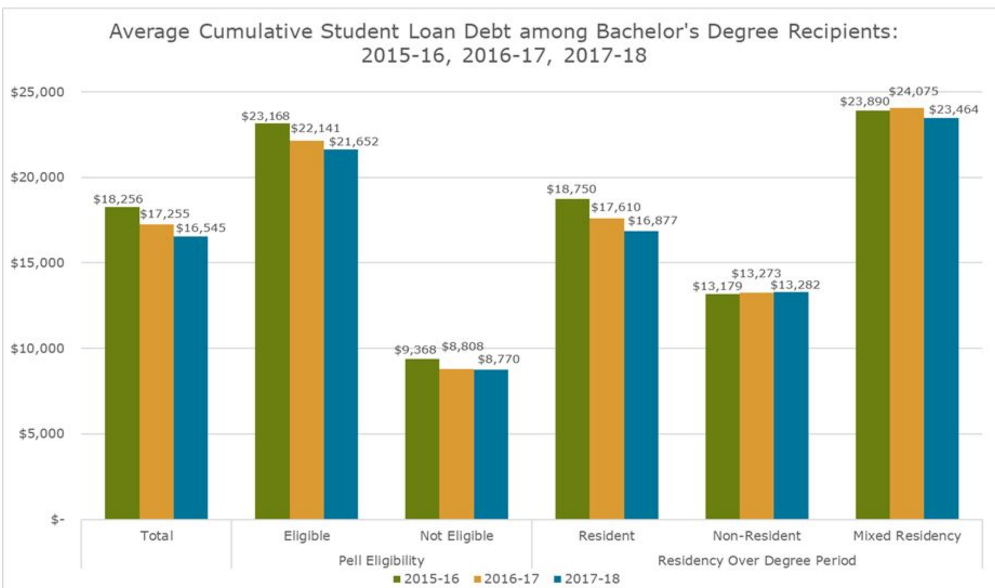
- Widespread reduction in classes across the university. As an example, achieving a $1.5 million cost reduction in PSU's largest college, the College of Liberal Arts and Sciences, would result in a loss of over 1,800 student credit hours;
- Non-strategic elimination of over 15 full-time faculty lines, mostly tenure track positions would similarly reduce costs at the expense of revenue generation and in departments such as Biology, Mathematics, Geology, Education, Engineering, Sociology, Political Science, and Business;
- Further reductions in the teaching by full time faculty and greater dependence upon use of adjunct faculty;
- Further reductions of graduate assistant positions (> 50), meaning both the loss of instruction that students provide in labs and sections of large classes, but also reducing student support for those enrolled in masters and doctoral programs;
- Further reductions in student employment, impacting low income students who depend upon this income to help with the cost of college;
- Unable to make the needed $1.5 million in investments in student success and campus public safety that the university identified;
- Reductions in the number of advisors;
- A reduction in our resident undergraduate remissions budget of which 54% is used for Oregon residents (see next section for a more detailed assessment of this impact);
- Further reductions in maintenance resulting in deterioration of the physical plant;
- Reduction in positions that provide essential financial controls;
- Reduction in compliance and safety risk management.

These larger reductions would erode academic quality and student success for all students, particularly historically underrepresented students. Academic quality would be impacted by the loss of teaching capacity and student experiences would be impacted by the loss of faculty leadership in developing new degree programs that meet changing student educational goals. Professional programs that are accredited by national bodies - such as the Business School's accreditation by the American Association of Colleges and Schools of Business - are concerned about preserving accreditation. Because national accreditation standards require distinct percentages of courses to be taught by tenure track and full time faculty, a reduction of these faculty positions creates risk in terms of continued accreditation. Research also shows a correlation between instruction by experienced faculty and the rates at which at-risk students succeed in key gateway classes such as mathematics, biology, and chemistry. Increasing numbers of adjunct faculty leads to high degrees of variability and thus inequity in student learning and pass rates for key prerequisite classes. If a class is cancelled, or if a student has to withdraw or repeat a course, their time-to-degree extends, costing them significant dollars, not only in additional tuition but in lost income in their planned career. Implementing programs that improve time-to-degree depend on investments in instruction, advising, and on-time tutoring and support, all of which would have to be reduced if an additional $6 million in cuts has to be found. Student success is also impacted by engagement, both inside and outside the classroom. Student participation in research projects, robotics labs, and internships have all been shown to increase learning and retention. Budget shortfalls are causing elimination of the staff and resources needed to organize and support these programs that are so crucial to student engagement.

The university also reviewed these further reductions through the lens of the long term viability of the institution. Erosion of the gains in student success and graduation, poorer services overall, and decreases in academic quality would impact reputation and in turn enrollment and revenue. The deeper level of cuts through decreased offerings would affect revenue directly, while further decreases in support staff lead to the possibility of audit findings which could affect title IV funding for the institution. Jeopardizing the long-term viability of PSU would directly impact the student body. Significant tuition increases (notably above 5%), which are unfortunately the main alternative to closing a budget gap, also negatively impact our students and enrollment. This impact can be mitigated to some extent through the use of remissions (university discounting) and scholarships. Ideally, in its mission as an access institution serving historically underrepresented Oregonians, PSU should not have to face such damaging choices.

Tuition Remissions

PSU's Enrollment Management team worked with Ruffalo Noel Levitz to refine and enhance remission programs and the awarding process with one of the goals being to reduce the amount of debt students incur. The graph below shows the impact of the combined changes to the remissions programs and greater emphasis on the financial health of students through counseling offered in PSU's Financial Wellness Center.



In every category of students earning their bachelor's degrees, there is either no growth or a reduction in the average student loan debt over the last three years. Most notably, Pell-eligible and resident students saw an approximately $2,000 (nominal dollars) average decline in student loan debt upon graduation between 2016 and 2018. In order to continue this trend PSU needs the ability to continue to direct institutional aid towards programs like Four Years Free (4YF) and and Transfers Finish Free (TFF).

PSU has historically budgeted a higher level of funds available for remissions when there is a tuition increase. In recent years, the remission budget has been approximately 10% of gross tuition revenue. Of the $23 million remission budget, $3.4 million is dedicated to the 4YF and TFF programs. In addition to those programs, it is estimated that over $9 million will be used for Oregon residents who qualify for other remission programs. As undergraduate tuition rates increase, so does the award for the 4YF and TFF program recipients, which holds them harmless from any tuition increases during their tenure at PSU. Those two programs currently serve approximately 2,000 Pell-eligible Oregonian students and we expect to add about 1,500 new students in Fall 2019. However, if PSU is required to keep its proposed undergraduate resident tuition increase to less than 5%, we will need to consider limiting the number of students who could participate in the 4YF and TFF programs. With minimal growth projected for net tuition revenue and state support in the form of our PUSF allocation, one possible way to close the $22 million budget gap and avoid resident undergraduate tuition increase that exceeds 5% would be to reduce our forecasted remission budget by $1 to $2 million. It is estimated that 500 to 1,000 Pell-eligible Oregonian students would be impacted by such an approach, facing tuition increase of 5% but unable to qualify for university remissions. Conversely, at the proposed higher tuition increase, Pell-eligible students would be able to participate in these programs and have all of their tuition and mandatory fees covered.

University Reserves

One possible way to close a budget gap, albeit temporarily, is to use funds set aside for reserves. The ability of PSU ability to fulfill its mission for the benefit of current and future students depends on sound fiscal management and the maintenance of adequate university reserves. At its separation from OUS, PSU had very low levels of reserves and the university operated at some points during the year with less than 60 days of cash on hand. The Board of Trustees established a policy to ensure adequate reserves are available for the long-term health and sustainability of university operations. Over the last five years, through careful management of resources, the university increased its reserves and liquidity. A 2018 Moody's rating analysis noted that the "university benefits from significantly improved and healthy liquidity levels with monthly liquidity having more than tripled to $170 million in fiscal 2017 and up from $56 million in fiscal 2014." That said, the reserves and the the university primary reserve ratio (expendable net assets divided by total expenses) are stable but below benchmarks and the goals established by the board. HECC's 2018 evaluation of PSU also noted that the "The institution should seriously consider its financial stability and look to improve its primary reserve ratio in order to increase its flexibility" and that a negative net operating revenue ratio in future years "could endanger the institution's financial health." Deficit spending by use of reserves would rapidly decrease liquidity. There is a fiduciary responsibility to solve the structural budget problem for the 19-21 biennium as there will be an additional significant increase in retirement contribution rates for the 21-23 biennium.

While reserves should not be used to balance the operating budget for next year, judicious use of some of the university reserves to seed initiatives and improve the university financial future should be considered. An analysis of such investments including their magnitude and duration should be carried out by the university and presented to the Board of Trustees. While this is outside of the scope of the tuition recommendation, the university will be proposing to the Board of Trustees some limited duration expenditures of reserves to total the $5 million suggested by the F&A committee at its meeting on February 6, 2019.

Recommendation and Step Down Options

Having established an upper limit for cost reductions, the university must look to increases in tuition rates to reach a balanced FY20 budget. It will be critical to continue to advocate for additional funding for FY20 funding from the state to reduce the impact of harmful cost reductions and tuition increases.

Tuition and Fees Recommendation

Tuition:

The following is the tuition recommendation for the 2019-20 academic year. This increase assumes an increase to the PUSF of $40.5 million and full restoration of ETSF and Sports Lottery. If ETSF and Sports Lottery funding are not restored, the undergraduate resident tuition rate will increase by 15.8% or $27 per credit.

	Increase Per Student Credit Hour	% Increase	Alternate Increase Plan*	% Increase
Undergraduate:				
Resident	$19	11.11%	$27	15.79%
Non-Resident	$28	4.91%	$28	4.91%
Graduate:				
Resident	$20	4.83%	$20	4.83%
Non-Resident	$31	4.92%	$31	4.92%

*The Alternate Increase Plan would go into effect if ETSF and Sports Lottery funding is not restored to at least FY19 levels.

The tuition increase for full-time resident undergraduates, assuming a 15 credit hour load, will be $285/term, or $855 per year, and for non-residents $420/$1,260, respectively. Resident graduate students, assuming a 12 credit hour load, will increase $240/term, or $720/year and non-residents, $372/$1,116 respectively.

In the event that the PUSF increases by more than $40.5 million for the 19-21 biennium, the following step down of the undergraduate resident tuition increase could be implemented.

Increase in the Unrestricted State of Oregon Appropriation to the Public University Support Fund for the 2019-21 Biennium	Percent Increase in Resident Undergraduate Base Tuition*	Percent Increase in Alternative Increase Plan*
Less than $60 million	11.11%	15.79%
$60 million or more, but less than $80 million	9.5%	13.5%
$80 million or more, but less than $100 million	8%	12%
$100 million or more, but less than $120 million	6.5%	10.5%
$120 million or more	4.9%	9%

**The actual increase in resident undergraduate base tuition per credit hour shall be rounded to the next whole dollar*

Mandatory Fees:

The division of Academic Affairs recommends the following increase to one of the four mandatory student fees:

	2018-19 Rate	Proposed 2019-20 Rate
Health Service Fee	$149/term	$156/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. A reduction in revenue due mostly to declining enrollment and increasing personnel costs have created a significant gap in SHAC's operational budget. The increased fee will allow SHAC to continue operations at its current service level and add one new mental health position to address a growing demand for mental health services on campus.

The Student Fee Committee (SFC) and the President are recommending two separate increases to the Incidental Fee:

	2018-19 Rate	Proposed 2019-20 Rate	SFC Proposed 2019-20 Rate
Incidental Fee (8 or more credits)	$240/term	$263/term	$270/term

In February 2019, the SFC presented a proposed budget and fee increase to the President that included a reserve for raising all student employee wages that are funded by the Incidental Fee to $15 per hour. After a full review of the SFC's work over the prior 8 months, the President agreed with all of their proposals with the exception of the increase to the student minimum wage. The SFC's proposal in regards to raising the student minimum wage was a late decision sparked by a request from the ASPSU Student Senate to add a reserve based on a referendum passed during student elections in 2017. The President and the University Executive team were concerned about the impact of these changes on student workers paid by other funding sources given the Oregon Pay Equity Act as well as the likely compressionary effects on employees across campus in collective bargaining units. The concerns shared with the SFC can be found in Appendix VI. The SFC's response to the President is included as Appendix VII.

The University and Board of Trustees have previously analyzed and discussed the implications of moving PSU to a minimum rate of $15 per hour and have concluded for a variety of reasons that we should follow the legislatively approved phased process to move to $15 per hour in 2023. While wage compression issues created by an earlier transition are hard to calculate, we were able to estimate the impact on tuition for student employees paid from the general fund (these additional costs were not included in our estimates of FY20 cost drivers discussed above and throughout the tuition setting process). Our estimates indicated we would need find another $1 million in reductions or increase the undergraduate tuition rate by another 1.2% to fund the proposal. The cost increase across all funds was estimated (ignoring compression) to be more than $2.3 million.

There are two proposals for increasing the Incidental Fee for Board of Trustees review and approval. The President is proposing a $23 increase (or 10%) to the Incidental Fee and the SFC is proposing a $30 increase (or 13%) to the academic year rate and a $7 increase (or 5%) for the summer term rate which would provide a $618,000 reserve to bring all Incidental Fee funded student employees to $15 per hour and to address compression for Incidental Fee funded student employees that currently make over the minimum wage.

The new tuition and mandatory fees and the percent change from the current year is shown below:

	Per Term Tuition and Mandatory Fees	% Increase	SFC Per Term Tuition and Mandatory Fees	% Increase
Undergraduate (15 credit hours):				
Resident	$3,350	10.38%	$3,357	10.61%
Resident (Alternate Increase Plan)	$3,470	14.33%	$3,477	14.56%
Non-Resident	$9,470	4.99%	$9,477	5.07%
Graduate (12 credit hours):				
Resident	$5,708	4.97%	$5,715	5.09%
Non-Resident	$8,432	5.01%	$8,439	5.09%

The following is a historical perspective of tuition and mandatory fee increases since 2014-15 and includes the proposed 2019-2020 rates (based on a $23 increase to the Incidental Fee):

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20 Proposed	Per Term Increase since 2014-15	Average Increase
Resident Undergraduate	-1.14%	3.08%	3.77%	5.34%	3.67%	10.38%	$752	4.82%
Alternate Increase Plan						14.33%	$879	5.64%
Resident Graduate	1.06%	3.00%	3.30%	8.59%	3.15%	4.97%	$1,145	4.18%
Non-Resident Undergraduate	0.97%	2.96%	3.51%	5.14%	3.56%	4.99%	$1,697	3.64%
Non-Resident Graduate	1.10%	3.03%	3.54%	5.02%	4.02%	5.01%	$1,541	3.73%

APPENDIX I - TRAC Membership

2018-2019 Tuition Review Advisory Committee Members

Dr. Kevin Reynolds, VP for Finance and Administration (Chair)
Susan Jeffords, Provost
Andria Johnson, University Budget Director
Amanda Bierbrauer (Nguyen), Director of Student Financial Services and Interim Director of Financial Aid
Erick Lorenzo, Assistant Budget Analyst

Heejun Chang, Professor, Geography and Faculty Senate Budget Committee Co-chair
Steve Boyce, Assistant Professor, Fariborz Maseeh Mathematics and Statistics and Faculty Senate Budget Committee Co-chair

Luis Balderas Villagrana, ASPSU President
Camilo Assad, ASPSU Legislative Affairs Director
Jose Rojas, SFC member and Student Representative
Alejandro Castaneda, Student Representative
Isaac Harper, Student Representative
Olivia Pace, Student Representative

APPENDIX II - Student Member Response

Associated Students of Portland State University

President

Luis Balderas Villagrana

Fiscal Year 2019-2020 Tuition Rate Recommendations Student Response

We, the Associated Students of Portland State University (ASPSU), have prepared the following document to communicate our recommendation regarding student tuition fees for the academic year 2019-2020. This document is intended to share the perspective and conclusions made by students to the Portland State University (PSU) Board of Trustees. Contributions to our conclusions were informed by the voluntary sentiments of students, members of the ASPSU, and the Tuition Review Advisory Committee.

Our official recommendation regarding 2019-2020 Tuition Rates is as follows:

- Resident, Undergraduate student tuition rate – 0% Increase
- Non-resident Undergraduate student tuition rate – 0% Increase
- Graduate student tuition rate – 0% Increase

We make the following recommendations with the understanding that the Office of Finance & Administration (FADM) does not agree with our conclusions. FADM has expressed the following explanations for budgetary increases: increased wages for hourly employees according to municipal and state law, new contractual obligations to increase pay for graduate students at PSU, outstanding obligations for uncollected revenue to the State of Oregon's Public Employees Retirement System, a linear pattern demonstrating declining enrollment, and increased variable expenses due to economic inflation.

We do not disagree with the explanations provided for increased costs to university education. It is clear that PSU is facing these challenges based on the State of Oregon's failure to provide more funding to the Public University Support Fund (PSUF). While we understand this problem, we do not believe students should have to pay more for the state's failure to understand the need to fund all public universities and communities colleges across the State of Oregon. As an organization, we will continue to advocate for more funding in non-traditional ways to send a clear message to the legislature. Students access to higher education should no longer be used as a tool to gain political capital. Our representatives need to fund higher education to ensure that students are not faced with continued tuition increases beyond this fiscal year.

The recommended tuition increase of 11.11% for resident undergraduate students, 4.91% for non-resident students, 4.83% for resident graduate students, and 4.92% for non-resident graduate students, will have a negative impact on PSU students, especially those in underrepresented communities. Students will be forced to find more jobs, take on more debt, and in many cases be forced to completely remove themselves from getting a higher education based on these tuition increases.

PSU's mission is "to provide access to high-quality postsecondary education to a diverse community of lifelong learners is deeply woven into the fabric of the university and allows us to be an agent for change in many students' lives." With a diverse community comes students who seek to break the status quo, change the lives of those in their communities, and change the world with new ideas learned at this university. If higher education costs continue to increase, not only will students be pushed out of higher education, the communities which they represent will also be affected in negative ways. We must understand that when we seek to have a diverse community, our goal must not only be to get them to PSU, but to provide adequate resources for their success. If the university moves forward with these tuition increases, it would be a step back in its mission to "be an agent for change in many students' lives."

In our experiences this academic year with the State of Oregon legislature, PSU Administration, and Tuition Review Advisory Committee it is clear to students that a tuition increase will occur no matter the negative impact. While we disagree with this decision, we do not only encourage but, we demand that PSU focuses on the areas described below:

Student/Staff/Faculty Employment:

- Workers at PSU should earn a living wage.
- All workers should have the right unionize including undergraduate students.

Food Insecurity:

- The university must understand that while students are paying tuition bills many of them are going hungry. Food insecurity needs to be a priority and the university must find resources and solutions to help PSU students.

Transportation:

- PSU students should not have to pay to get to campus and the university must work with our public transportation services to provide our students with free transportation.

- Students should not have to pay parking permits at a place where they have the right to learn. We must understand that systems like these are making it difficult for students to get to campus and truly focus on their education.

Housing:

- PSU needs to ensure that no student on this campus is houseless by December 2019. A report must be provided to the campus community on actions that were taken to provide our students with adequate housing opportunities. No student on this campus should have to face housing insecurity and if this continues the university has failed to provide equitable resources to every student on this campus.

We hold the university accountable to provide reports on how the university is working to address the issues above.

Based on the information on Recurring Strategic Investments, ASPSU President Luis Balderas Villagrana will issue an Executive Order to create the Committee on Student Success (CSS). This committee will review student proposals on where the $200,000 in funding will best serve students.

PSU must continue to find resources to better support our students and prevent tuition increases. At a college where innovation is seen as a value, it is clear that we are still beholden to the systems of the past that continue to push students out of higher education. We must have students who are engaged, not worried about how many more hours they have to work, where their next meal will come from, and whether they are able to pay rent in exchange for an education. We must work together to create this university that cares for students and innovates on the ideas that will truly have an impact on students' lives.

Let Knowledge Serve the Students of Portland State University and we demand that Portland State University Serve the Students.

APPENDIX III - HECC Tuition Increase Criteria

If an Oregon Public University anticipates the need to raise undergraduate resident tuition rates more than 5%, approval from the Higher Education Coordinating Commission (HECC) is required. In order to facilitate the review of such requests, the HECC has outlined a set of criteria to be used in determining whether the increase is appropriate. The following sections demonstrate how PSU has met the goals and criteria for the three focus areas outlined by the HECC.

Focus Area One : Fostering an Inclusive and Transparent Tuition-Setting Process

The TRAC as directed by House Bill 4141(HB 4141) is convened annually to engage students in the tuition setting process. As stated in the Tuition setting process section of the recommendation, in addition to ASPSU students on the TRAC there were student members from the campus at large. Appendix IV, below, details the steps PSU took to go above and beyond compliance with HB 4141.

Multiple documents were prepared and posted publicly on the TRAC website that outline the tuition setting process, the university budget process and financial trends, and the HECC funding process. Each TRAC member received hard copies of the Budget Overview Book, the Financial Dashboard and the audited Financial Statements.

There were multiple opportunities for students to participate in the tuition setting process including but not limited to participating on the TRAC. In addition to 10 TRAC meetings, the University planned and held three student focused budget forums. These forums were designed based on advice of the student members of TRAC and were led in part by the students. The forums included Executive Council members sharing their vision of PSU, the funding challenges we face and several ideas on how we might mitigate those challenges. They were widely advertised to the campus community through posters around campus, social media, newsletters, message boards and through word of mouth. The information presented at each of the budget forums is also available to the public on the Budget Office website along with a form to collect additional questions and comments.

Through this process the students shared a different perspective in terms of their priorities for student success and that there should be no tuition increases to any student types. As a result, the university continues to advocate for an increase to the PUSF of at least $120 million for the 19-21 biennium and has set aside $200,000 to invest in student success initiatives that are identified through a student led process (this is described in the Cost Drivers section). The student perspective on a tuition increase is presented in Appendix II of this recommendation.

Focus Area Two: Safeguarding Access and Support for Degree Completion by Historically Underrepresented Students

Neither HB 4141 or the HECC has a clear definition for historically underrepresented students. As such, at our first TRAC meeting all committee members, including student representatives, engaged in a discussion focused on who should be considered an underrepresented student at PSU. The result of that conversation is a robust and inclusive definition of underrepresented students that is informed by students. Included in that definition are all four targeted characteristics called out in the Student Success and Completion Model (SSCM) which is used to distribute the PUSF. Out of all seven Oregon Public Universities (OPUs), PSU consistently awards the highest number of degrees to Oregonian students who are Pell recipients, rural, veterans and/or underrepresented minorities.

Over 37% of PSU's Fall 2018 undergraduate resident student population identify as students of color. In July 2018, PSU presented President Shoureshi reports from our African American and Asian-American, Asian and Pacific Islander student success task forces which were aimed at identifying the support needed to increase the retention and graduation rates of those students. Both reports recommended that we increase scholarships and retention programming for their specific populations as ways to increase student success. In addition to our students of color, PSU embraces the opportunity to support students with disabilities. Our Disability Resource Center currently serves over 2,000 students which is expected to grow 15-20% annually for the foreseeable future. It is these students and the many other underrepresented students that PSU serves whose access we considered as we reviewed alternative tuition scenarios.

Based on the Co-Chairs' budget which adds $40.5 million to the PUSF for the 2019-21 biennium, at a 5% undergraduate resident tuition increase PSU is facing budget reductions of $13 to 15 million dollars to its general fund budget. As a result, many of the services provided to our underrepresented students could face dramatic reductions in their ability to support our students. Examples include the underfunding of our Disability Resource Center, potentially limiting the number of awards available for our Four Years Free, Transfers Finish Free and Diversity remissions, and a reduction in the amount of academic advisors. Additional details about the proposed reductions that accompany this tuition increase can be found in the section entitled Cost reduction analyses. More details about how our targeted remissions programs for resident students work and would protect historically underrepresented students at the proposed tuition increase, but might not be possible if we held tuition at 5% can be found in the section on Tuition remission analyses

Finally we have provided a plan for how our institution will reduce tuition costs if the PUSF increase for the 19-21 biennium is more than $40.5 million and includes full restoration of ETSF and Sports lottery dollars (see Tuition section of the Tuition and Fees recommendation).

Focus Area Three: Financial Conditions Demonstrating the Need for Resident, Undergraduate Tuition to be Increased More than 5%

PSU's financial conditions differ greatly from other OPUs. While we strive to maintain our access and affordability mission by keeping resident undergraduate tuition the lowest in the state for a university our size, we also face cost drivers that are similar and in some cases higher than the other universities in the state institutions due to our location in downtown Portland. This disconnect between the revenue we are able to generate from net tuition and the rising costs unique to our physical location creates a constant struggle where in order to meet our mission we have to do more with less. Details of the factors contributing to a 6.1% increase in costs have been provided in section on FY20 Expenditure Forecast. Factors contributing to revenue that does not grow to meet this expenditure increase (notably an change on enrollment and potentially declining state funding between FY19 and FY20 is detailed in the section on FY20 Revenue Forecast. These 2 sections lay out the need to raise resident undergraduate tuition more than 5%.

We have also provided examples that show we have both considered and implemented cost containment efforts for those costs that are within our control. Over the last five years we have made a concerted effort to keep the cost of education contained for our students through a number of actions as detailed in the section on PSU's Commitment to Affordability. Specific examples of cost reductions, and estimated annual savings are provide in the subsection on Cost Containment and Efficiency. We have provided data to show savings and efficiencies in services and supplies and also in staffing with a particular focus on limiting the number of full time managers and administrators.   We also provide documentation that alternatives to raising tuition above 5% were considered.   Specifically this option is detailed in the Tuition increases and reduction options section. The higher level of reductions to stay below 5% and examples of their impact is detailed in the Cost reduction analyses. This section also provides an assessment of the long term consequences of additional reductions, necessitated by reduction necessary to stay below 5%, on student success, academic quality, enrollment and the ability to recruit and retain faculty and staff. More details about how our targeted remissions programs for resident students would be impacted if tuition were limited to below 5% is found in the section on Tuition remission analyses.

APPENDIX IV - HB4141 Compliance

HB 4141 Requirement	PSU Process	Status
[§2 .(1)] **PSU** shall have an advisory body to advise the president of PSU on the president's recommendation to the governing board regarding resident tuition and mandatory enrollment fees for the upcoming academic year.	The Tuition Review Advisory Committee (TRAC) is the advisory body to the President and makes recommendations on all tuition and mandatory fees	First meeting of TRAC 11/27/2018
[§2. (2)] **PSU** shall: (a) Establish a process to ensure that the advisory body required under subsection (1) of this section is composed of no fewer than: (A) Two administrators of the university; (B) Two faculty members of the university; (C) Two students representing the recognized student government of the university; and (D) Two students representing historically underserved students of the university, as defined by the public university.	TRAC members will define underserved students of PSU that will be used in TRAC discussions to ensure representation and consideration of the impact of the TRAC recommendation. Current membership of TRAC includes four administrators, two faculty members, five students (two representing ASPSU) and one staff member. ASPSU coordinated outreach to the student body about TRAC and gathered information from interested students. All students who expressed interest in the committee through a google form are members.	Historically Underserved Students - reviewed by TRAC 11/27/18
[§2. (2)(b)]**PSU** shall: Establish a written document describing the role of TRAC and the relationship of TRAC to PSU, president of the university and the governing board.	TRAC Committee Charter, Charge and Timeline created. They include information on: • Role and Charge to TRAC • Relationship of TRAC to PSU, president of PSU, and BOT • TRAC membership • TRAC timeline and process for making recommendations	Committee Charter TRAC Charge, Timeline and Membership

[§2. (3)]**PSU** shall: ensure all members of the advisory body are offered training on (a) The budget of the public university; (b) The mechanisms by which moneys are appropriated by the Leg Assembly to the HECC for allocation to public universities; & (c) Historical data regarding the relationship between the amount of resident tuition and mandatory enrollment fees charged by the public university and the amount of state appropriations that the commission allocates to the public university.	PSU has published a Budget Overview Book that includes the following sections: **Introduction** - current state of affairs and expected future trends **Budget Process** - PSU Internal process and State of Oregon process **Tuition and Fees** - Policy, Rates and Comparators **All Funds Budget** - PSU's 2018-19 Operating Budget **Education & General Fund Budget** - a deeper dive on the budget funded by tuition **Non-Education & General Fund Budget** - a deeper dive on the budget funded by fees, auxiliaries and restricted funds **State Process & Funding** - a historical view and detailed look at the SSCM **Capital Projects** - Capital Projects requests by Campus Each meeting will provide additional budget context including historical data and trends as appropriate.	11/27/18 Agenda 1/3/19 Agenda 1/10/19 Agenda 1/22/19 Agenda 2/1/19 Agenda 2/25/19 Agenda 3/1/19 Agenda 3/15/19 Agenda 3/22/19 Agenda 4/17/19 Agenda
[§2. (4)]**PSU** shall provide TRAC with: (a) A plan for how the governing board and the PSU's administration are managing costs on an ongoing basis; (b) A plan for how resident tuition and mandatory enrollment fees could be decreased if the public university receives more moneys from the state than anticipated.	The University Budget Team (UBT) is working on an outline of how the university plans to manage costs on an ongoing basis. As the TRAC considers tuition recommendations, a plan for stepping down tuition increases will be finalized by UBT and shared with TRAC (Note: PSU voluntarily stepped down tuition in FY 2015 and again in FY 2018 per legislative request).	Complete

[§2. (5)] Before making a recommendation to the president of PSU that resident tuition and mandatory enrollment fees should be increased by more than 5% annually, **TRAC** must document consideration of: (a) The impact of the resident tuition & mandatory enrollment fees that the advisory body intends to recommend to the president of PSU on: (A) Students at PSU, with an emphasis on historically underserved students, as defined by PSU; (B) The mission of PSU, as described by the mission statement (re: ORS 352.089) (b) Alternative scenarios that involve smaller increases in resident tuition and mandatory enrollment fees than TRAC intends to recommend to the president	If resident tuition and mandatory fees must be increase by more than 5% annually, TRAC will consider and document the impact of the increase on all students with an emphasis on historically underserved students and the mission of PSU along with plans to offset that impact. All information provided and high-level minutes regarding the discussion at each meeting will be posted on the TRAC website after each meeting. Alternative scenarios will be discussed with TRAC and shared with the Board of Trustees Finance & Administration Committee, including but not limited to, no tuition increases.	11/27/18 Minutes 1/3/19 Minutes 1/10/19 Minutes 1/22/19 Minutes 2/1/19 Minutes 2/25/19 Minutes 3/1/19 Minutes 3/22/19 Minutes
[§2. (6) (a)] **TRAC** shall: Provide meaningful opportunities for members of ASPSU and other students enrolled at the public university to participate in the process and deliberations of TRAC	There are seven official student members of TRAC (two ASPSU representatives, and five undergrads). ASPSU coordinated outreach to the student body about TRAC and gathered information from interested students. All students who expressed interest in the committee through a google form are members. TRAC meetings are open meetings and advertised in advance on the Budget Office and TRAC websites. TRAC organized three open public forums in addition to meeting with the ASPSU Senate prior to final recommendations from TRAC.	Committee formed; campus forums and senate meetings completed

[§2. (6) (b)]**TRAC** shall: Provide a written report to the president of PSU that sets forth the recommendations, deliberations and observations of TRAC regarding resident tuition and mandatory enrollment fees for the upcoming academic year. The written report must include any minority report requested by a member of TRAC and any documents produced or received by TRAC under subsections (4) and (5) of this section."	TRAC provides a written recommendation that is drafted by the chair and circulated to the entire advisory group for review and editing before it is submitted to the President. The goal of that document is to provide the President with recommendations related to proposed tuition and fee increases, and to ensure that the President is provided the full range of opinions and concerns raised by members of the advisory group. Members of TRAC may also attach a minority opinion statement to the final TRAC recommendation.	Complete
[§2. (7)] **PSU** shall: Ensure that the process of establishing resident tuition and mandatory enrollment fees at PSU is described on the Internet website of PSU. This material must include, but is not limited to: (a) The written document produced by PSU under subsection (2)(b) of this section; and (b) All relevant documents, agendas and data that are considered by TRAC during its deliberations.	The meeting schedule, as well as agendas, are posted on the University's website. This website also provides information regarding the PSU budget, tuition, and the documents reviewed in TRAC meetings https://www.pdx.edu/budget/tuition-review-advisory-committee-trac Documents provided and high-level minutes will be posted on the website after each TRAC meeting	Website is up and current materials are available

APPENDIX V - Recurring Strategic Investment Requests

Request	Requested Amount	Funded Amount
Transfer Student Success Center	$180,000	$180,000
Initial Investment in Workday ERP	$500,000	$ -
IT Partnerships for Student Success	$250,000	$146,500
Provost's Investment Fund	$500,000	$ -
Student Accomodations	$500,000	$300,000
Branding & Marketing Support	$91,000	$ -
CRM Support	$105,000	$ -
Financial Aid Professional Development & Training	$25,000	$ -
Additional Financial Aid Staffing	$240,000	$240,000
Faculty Start-up Fund	$500,000	$ -
Slate CRM for Admissions	$300,000	$ -
Campus Sustainability Office Support	$65,000	$ -
Campus Public Safety Phase 2	$300,000	$300,000
Visual-Based BI Tool	$163,460	$ -
IT Application Development	$133,500	$ -
CRM Support Team	$200,250	$ -
IT Integrations Team	$133,500	$133,500
Student-led Investment Proposal	$250,000	$200,000
Total	**$4,436,710**	**$1,500,000**

APPENDIX VI - President's Response to SFC Recommendation

Portland State UNIVERSITY

Office of the President

Post Office Box 751 503-725-4411 tel
Portland, Oregon 97207-0751 503-725-4499 fax

To: Associated Students of PSU Student Fee Committee (SFC), ASPSU Senate

From: President Rahmat Shoureshi

Date: March 1, 2019

RE: Student Incidental Fee Recommendation Response

Dear Members of Student Fee Committee:

I would like to applaud your effort and diligence in conducting the student incidental fee budgeting process this year. In reviewing the materials sent to me earlier this month, I was impressed by the amount of work and thoughtfulness that you all exerted throughout this months-long endeavor. The ability of the SFC to carry out this thorough review of incidental fee budgets, while at the same time maintaining a full load of coursework and other responsibilities, further emphasizes the impressive work ethic and resiliency of the students at PSU.

I appreciated learning more about the committee's decision making process and the underlying rationale that was used to evaluate incidental fee funded area budgets. The guiding philosophies of student retention, advocacy, sustainability, equity and strategic planning resonated with me, and I was encouraged to see these values operationalized in the various budget evaluation rubrics that were utilized by the SFC this year. In particular, I was pleased to see the SFC's areas of focus manifest in the following investments:

- Funding of CSL to avoid cuts to important programming and resources for students;
- An increased allocation to the PSU Food Pantry to help address food security for PSU students;
- Investment in the MENASA and Queer Resource Centers to further PSU's commitment to equity and inclusion while also supporting retention and advocacy for underrepresented students;
- Expanded funding for Student Legal Services and Student Media groups who advocate for students and promote student voices;
- Full recovery of the budget shortfall so as to prevent future SFCs from dealing with the problems of the past.

The offset to investment in new resources for SFC-funded areas is the consequential increase in fees to students. At a time when the State is putting budget pressure on public institutions of higher education and when students are voicing affordability concerns, a heightened level of justification needs to be applied to levy additional fees on students. I believe the SFC has largely met this elevated threshold.

There is, however, one proposed budget item that causes me serious concern: the establishment of a $15 minimum wage reserve. My concerns are related to the Oregon Equal Pay Act (HB 2005), which does not consider funding source as a bona fide justification to differentiate pay between employees. Consequently,

1. Either student worker supervisors would be unable to utilize the reserve to fund an escalated minimum wage, as student positions across campus are defined by HR policy and subject to the rate structure defined therein; or
2. Under HB2005, most student workers across campus would need to be paid the $15 minimum wage.

Considering the first scenario, I am disinclined to support any action that knowingly charges students to appropriate funds that cannot be accessed absent a violation of University Policy and potentially State law. In terms of the second, I have serious concerns about the potential financial impact that would be borne by students as a result of this change. An immediate increase to a $15 minimum wage for student workers is estimated to cost upwards of $1 million for those funded by tuition dollars. To put this into context, this translates to a 1.2% increase in resident undergraduate tuition.

Perhaps more concerning is the financial impact that has not been analyzed. Increasing student worker wages would likely put compressionary pressure on wages of both represented and unrepresented non-student workers at PSU. On top of this, Federal Work Study funding at PSU has been largely stagnant of late; increasing wages for student workers would result in PSU departments needing to decide between taking on larger portions of the cost to fund these students or eliminating positions at the expiration of work study budgets. Lastly, unplanned wage increases in units that provide services to other university departments could also result in abrupt increases in the rates for those services, putting additional upward pressure on tuition and fees.

I want to emphasize that PSU remains committed to helping to address affordability through student employment and other mechanisms, and we welcome the planned increases to the state minimum wage over the next three years. However, as a result of the concerns I have shared here, I cannot support and recommend to the Board of Trustees a proposal to accelerate those increases.

For these reasons, I request that the SFC reconsider the original Incidental Fee Recommendation that was presented to the ASPSU Senate on January 7, 2019. In doing so, I'd like to encourage you to work with your advisors, fee funded areas and fellow students to have as informed a conversation as possible within the limited time available to finalize a recommendation to the Board.

In closing, I want to reiterate my admiration for all of the hard work put into this process by the SFC.

I look forward to receiving your response to this request in the next ten business days.

Sincerely,

Rahmat Shoureshi

APPENDIX VII - Student Fee Committee Response

TO: President Rahmat Shoureshi and Board of Trustees Finance and Administration Committee Members

FROM: Associated Students of PSU Student Fee Committee (SFC)

DATE: 04/24/2019

RE: Student Incidental Fee Recommendation

President Rahmat Shoureshi and Board of Trustees Finance and Administration Committee Members,

This year's SFC has taken it upon themselves to improve the quality of the student experience. As a part of this working philosophy, we identified the need to increase the minimum student wage up to $15 an hour to meet ever-increasing costs for our students. On this matter, the SFC and the University President have disagreed. Having completed the process outlined in the SFC Guidelines Article V in its entirety, the SFC is moving forward with submitting a separate Student Incidental Fee Recommendation alongside the recommendation being submitted by the University President.

SFC Budget Process Overview

This year's SFC delimited our funding philosophy to certain key points that would guide our direction in funding decisions for FY20. These were maintaining a student centered focus that includes the opportunities funding would provide the student body, increasing quality of student life in order to increase student retention and ensuring our student population is advocated for. We also held the mindset of being strategic in our planning, through our research we concluded that there had been a trend in which earnest efforts to contain costs for students has lead to the Student Incidental Fee suddenly increasing in subsequent years. We worked under the intent to avoid patchwork solutions and to develop plans to known issues. We considered sustainability in every definition of the word that we saw fit: economic, environmental, financial management. We value the premise of equity in our decision-making as an essential step decision makers need to make in being responsive to historic imbalances in opportunity between privileged and marginalized members of our community. We sought to promote resources and initiatives that reduce and eliminate these inequities in the systems that we govern. Within the premise of equity we sought an emphasis on accessibility for our students; not limiting our mindset to just physical accessibility but also including accessibility of communities, campus involvement and opportunities for our student population.

The SFC, followed Article IV of the SFC Guidelines in conducting its budget process. We held a budget school for all Fee Funded Areas (FFAs) in which the budget process was explained thoroughly, including critical due dates and processes. For Fiscal Year 20 (FY20), we asked all FFAs to consider 3 different scenarios: Maintaining Current Service Level, Maintaining their Base Budget (FY19) and a hypothetical cut of 2.5% to their budgets. FFAs submitted their budgets and presented their program plans to the SFC during initial budget hearings in October. Following a period of deliberations, the initial funding allocations were issued in mid-November. The FFAs were then given an opportunity to appeal the initial allocations during a second round of budget submissions and hearings at the end of fall term. After another deliberation period to consider these appeals, the SFC approved the final FY20 allocations to FFAs, as well as a final incidental fee recommendation, during the last meeting of fall term.

Upon presenting the final SFC allocation and fee recommendation to the ASPSU Senate, the SFC was asked to specifically consider two changes. First, the Senate asked the SFC to consider spacing out the recovery of a budget shortfall to balance the incidental fee increases to a more palatable amount. Second, the Senate asked the SFC to implement a system that would permit FFAs to pay their student workers a $15 hourly minimum wage. The SFC considered both of these suggestions, we then rejected the spacing out of the recovery of the budget shortfall due to it being contrary to our philosophy of not utilizing patchwork solutions in our process. The SFC did add the necessary increase that would cover an increase of $15 hourly wages to student workers for every FFA.

Funding Highlights and Fee Recommendation:

In the face of overall revenue losses in incidental fee funding due to declining enrollment, the SFC is proud to have maintained Current Service Level on all of the FFAs while also recovering the overall budget shortfall. As discussed above, this decision stems from our philosophy to avoid patchwork solutions. We are particularly joyful to have expanded the Food Pantry operation hours from 10 hours to 25 hours per week. We deem this to be of high importance to the needs of our students as we are continuing to battle food insecurity throughout our student body. We have approved funds to be allocated for the hiring of a director to lead the upcoming Middle Eastern, North African and South Asian Resource center (MENASA). Once more, in line with our desire to improve the quality of the student experience, we have approved the expansion of available cultural resource centers. Similar to the overall loss in incidental fee funding, the allocation for Athletics also declined significantly due to their enrollment-based funding formula. To ease this sudden funding loss, we approved a strategic ask to reduce the Athletics budget gap and protect student worker positions and financial aid to our student athletes. Lastly, to help address student affordability at PSU we established a reserve for FFAs to draw on in order to pay their student employees a $15 minimum wage. These investments necessitate a fee increase of $30 per term for the Academic Year and $7 for the Summer Term which we are recommending for the 19-20 Academic Year.

In regards to the Student Building Fee, the SFC has opted to maintain the fee at its current level whilst having approved six campus projects totalling an investment of $302,007.00. Our focus when funding Student Building Fee projects was characterized by a vision of improving accessibility and safety for our student population on campus.

Difference from President and Negotiation Process

As mentioned above, we address the need for livable student wages by proposing an increase in the Student Incidental Fee that would allow for a reserve that FFAs could access in order to pay their employed students $15 an hour. Due to our students seeing increasing costs year over year, the SFC determined that we are in a position to be able to assist the experienced financial difficulties through providing a much necessitated wage increase. The body is cognizant of the limited student population this would benefit, and we perceive that this is the only method within our inhibited capacity to do so. We believe that any benefit, no matter how small, has a large impact on the decision to continue attending Portland State University.

Having discussed this matter internally, we also addressed the potential issues with wage compression and professional staff members. Although we believe it to be unreasonable that professional staff are receiving wages lower than $15 an hour, we are aware of the realities of budgeting. This, however, does not place an insurmountable obstacle in our path. We believe that increasing student wages to a livable level of $15 an hour does not hinge on the relative wages of professional staff. Our capacity to provide a better quality of life to our students should not be hindered by others' perceived unfairness.

Following the procedures outlined in the SFC Guidelines, we had dialogues with the University President and other administrators regarding this topic. In these meetings, we were made aware of the low feasibility of our proposal due to the requirements of the Oregon Pay Equity Act (HB 2005), which would require PSU to pay all student workers performing similar work across campus to be paid the same wage. The SFC was humbled by facts presented during these meetings. We were fully aware of the fact that this proposal would have campus-wide ramifications but not to the magnitude presented. It is with that in mind, that we are continuing to support the idea of increasing FFA student workers wages to $15 an hour because we believe it to be a worthy cause to consider, with all facts known.

The SFC was informed that the University has a budgeting plan already in place to address minimum wage increases according to the increases mandated by Oregon law. This would place the desired $15 an hour minimum wage to go into effect during FY24, which we deemed to be too far away in time for our students' needs. Considering this as the university's timeline results in a gap between the university and the SFC in addressing student needs. Although we met with the President to discuss this difference, we were unable to reconcile our differing opinions. The SFC considered convening a Hearings Board in an effort to explore the possibility of presenting a unified recommendation with the University President, but ultimately decided against this move due to time limitations and a sense that this process might not have provided a joint resolution. As a consequence of this, the SFC has decided to present this letter alongside the University President's tuition recommendation to the Board of Trustees.

Regards,

2018-19 SFC

Elliott Thompson III, SFC Chair
Jose Rojas Fallas, SFC Vice-Chair
Amanda Celiceo, SFC Member
Tristin Crum, SFC Member
Violet Gibson, SFC Member
Fouad Mohaideen, SFC Member

APPENDIX VIII - URLs for Supporting Documents

Budget Office Website: www.pdx.edu/budget

Budget Forum Presentations: www.pdx.edu/budget/fy20-budget-fiscal-year-1

FY2018-2019 Budget Overview Book:
www.pdx.edu/budget/sites/www.pdx.edu.budget/files/FY2018-19%20Budget%20Overview%20Book%20Final.pdf

2017-2018 Audited Financial Statements:
www.pdx.edu/financial-services/sites/www.pdx.edu.financial-services/files/documents/2018%20PSU%20Financial%20Report_Final.pdf

2017-2018 Financial Dashboard:
www.pdx.edu/fadm/sites/www.pdx.edu.fadm/files/FY2018%20Financial%20Dashboard%20FINAL_0.pdf

Tuition Review Advisory Committee (TRAC) Website (includes Agendas, Minutes and Meeting Materials):
www.pdx.edu/budget/tuition-review-advisory-committee-trac