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April 26, 2017

Ben Cannon, Executive Director
Higher Education Coordinating Commission
225 Capitol Street NE, Third Floor
Salem, OR 97310

Dear Executive Director Cannon:

Portland State University submits the following supplemental information to the Higher Education Coordinating Commission (HECC) for consideration in its review of the tuition rate proposal approved by the university's institutional governing board for the 2017-2018 academic year. This letter responds to the five criteria that Governor Brown asked HECC commissioners to use in evaluating tuition increase proposals, and we have followed, to the extent possible, the limitation on response length as outlined in the instructions from HECC staff. We request and fully expect that this letter be submitted alongside the HECC staff recommendation regarding our tuition rate proposal, and that this would be done ahead of the May 10th and 11th HECC meetings.

It is important to note that Portland State University has engaged in a deliberative and inclusive six-month process to evaluate our current and projected financial status which was supported by extensive analyses and documentation that is provided as supporting material here. Ultimately, the tuition recommendation made at the end of this process incorporates the following critical principles: keep costs lowest for our most financially vulnerable students; avoid cost reductions that impact student success, safety, and time to graduation; ensure the long-term viability of the institution by not depleting limited university reserves to an irresponsible level; and maintain healthy relationships with the six unions representing various employees on campus. While far from ideal, it should be noted that the tuition recommendation was built of necessity by the university and with a unanimous vote of its Board of Trustees, who have a deep understanding of our operations and a commitment to the success of Portland State University and its students.

We acknowledge that HECC staff and commissioners have limited time to consider all of the factors we used in support of the tuition proposal. However, we urge you to consider that a vote to limit our resident undergraduate tuition increase to 5% would actually harm the university's most needy students by reducing the amount of institutional aid available to them. Furthermore, it would result in a substantial reduction in employment, and potentially harm all of our students as teaching and support services provided to them would have to be significantly curtailed. Finally, we recognize the need to move forward in a timely fashion necessitated by a very short timeline and a limitation

on the length of our answers. That said, given the gravity of this decision we would be pleased to provide the HECC additional information or answer any questions if they arise.

Criteria 1: Clear and significant evidence that the university gave serious consideration to alternatives that involved tuition and fee increases below the 5% threshold.

The university faces a potential general fund shortfall for the 2017-2018 fiscal year of \$20 million as a result of our expectation that state allocations will decrease relative to the previous fiscal year, and because of significantly increased costs (current service level increase of 4.3%). In preparation for this likelihood, the university created a cost reduction analysis in the fall of 2016 that established an upper limit of \$9 million in potential savings that would minimize but nevertheless be likely to impact our mission, student support and success. Cost reductions at PSU are particularly challenging as our revenue on a per student basis is low, which already forces us to achieve a high level of efficiency and limits the breadth of our services. Portland State University, along with Eastern Oregon University, currently has the lowest tuition and mandatory fees for undergraduate students among the seven public universities. Furthermore, the Public University Support Fund (PUSF) allocates to PSU the lowest level of funding on either a \$/Oregonian degree, or \$/fundable student credit hour basis, despite our serving the highest number of traditionally underserved students including those from low income families, and those who identify as first-generation, Veteran, and underrepresented minority students. While our revenue from non-tuition sources is constrained, our costs are less so. Increased benefits costs, the rising minimum wage, and salary and wage costs negotiated with numerous collective bargaining units will drive up our costs substantially. Thus, as we will examine throughout this memo, there simply is no lever available that would allow the university to close this gap other than with the proposed tuition increases. Our proposal prioritizes keeping the actual dollar increase the lowest for our resident undergraduate students, who will experience about half the dollar increase as our other students.

Limiting our tuition increase to 5% would create the need for us to find \$5 million of additional cost reductions in addition to the \$9 million we have already committed to implement. This would require a dramatic reduction in tuition remissions (the majority of which are allocated on a need basis), a salary freeze (which would need to be negotiated through collective bargaining agreements), and further erosions of our already underfunded teaching, advising and other student support services. After lengthy analysis and deliberation, it became clear that the implications of a \$14 million reduction in costs would fall most heavily on our low-income and underrepresented students, making this option the least desirable choice.

Criteria 2: Clear and significant evidence of how Oregonians who are underrepresented in higher education, including low-income students and students of color, would benefit more under the university's proposal than one that stays within the 5% threshold.

PSU serves a greater number of Oregonian students, including those from many traditionally underrepresented groups, than the state's other universities. Serving this large non-traditional student population is central to our mission, and requires a commitment of resources to faculty, staff and facilities, as well as financial support in the form of tuition remissions. All of these services will be under pressure with the tuition rates we have proposed due to the \$9 million in reductions

needed to balance the general fund budget. It is likely that our reductions will require the elimination, primarily through attrition, of approximately 25 staff positions and the equivalent of 20 full-time faculty positions. PSU’s ability to develop Flexible Degrees for adult learners, a population where underrepresented students are overrepresented, will be greatly diminished. The additional cuts resulting from a 5% tuition increase cap would further reduce faculty, staff and services required to support our students, and thus would very likely impact their success. The proposed tuition and mandatory fee increase will lead to a yearly cost increase of \$693 for a resident undergraduate student. We are committed to affordability and currently allocate the majority of our remissions to Pell-eligible students. Our Financial Aid Office has calculated that the increase in our remission budget which accompanies the increase in our tuition rate will, on average, allow us to hold these students harmless from *any* increase in tuition and mandatory fees. Pell-eligible Oregonian students graduated from PSU in 2015 with approximately \$23,000 debt on average, while non-Pell-eligible Oregonian students graduated with \$11,600. Higher tuition increases coupled with increases in our remission budget is part of our progressive approach that allows us to partially address this inequity. With a 5% cap on undergraduate tuition we would not be able to increase tuition remissions and would likely need to reduce the current needs-based tuition remission budget. Thus, a cap at 5% would lead to *higher* tuition and mandatory fees and less services for our most financially vulnerable student population.

Criteria 3: A plan for how the university’s board and central administration are managing costs on an ongoing basis.

The university evaluates on an annual basis all of its current costs and all of the cost drivers for the subsequent year. For FY18, with currently funded positions only (no new investments) PSU estimates the following increased costs in general fund budget:

Item	Additional Cost
Salaries and Wages	\$4.12 million
Estimated Cost of Minimum Wage Increase	\$680,000
Retirement Costs	\$5.2 million
Other Payroll Costs (including health care costs through PEBB)	\$850,000
Additional Investments	\$0
Total	\$10.85 million

The university has little, and in some cases no, control over the almost \$11 million of cost drivers. To avoid passing these on to the students in terms of much higher tuition increases the university has committed to finding \$9 million of cost reductions.

Despite these financial challenges the university is committed to not only ensuring that we have effective cost-management strategies, but that we align our limited resources in support of our mission and the success of our students. In the following we touch upon the elements and themes proposed by the HECC in addressing criteria 3.

1. Instruction and service delivery that is responsive to demand

PSU has responded to improving instructional and service delivery through our reTHINK PSU effort. reTHINK is a campus-wide effort to deliver an education that serves more students with better outcomes, while containing costs through curricular innovation, community engagement and effective use of technology. reTHINK PSU projects follow a well-designed **reTHINK roadmap** (https://www.pdx.edu/oai/sites/www.pdx.edu.oai/files/rethinkmapcorrected1_whitePart2.png) for developing solutions for challenges facing PSU.

The work we have done through the reTHINK PSU effort has been nationally recognized and supported for its innovation and impact on student success. The Gates Foundation and the Association of Public and Land Grant Universities (APLU) have supported this work with multiple grants and have provided PSU with national recognition and inclusion in a group called the Frontier Set (<http://postsecondary.gatesfoundation.org/frontier-set-fact-sheet/>). This group is committed to significantly increasing student access and success, and eliminating racial/ethnic and socioeconomic disparities in college attainment. In its 4 years, reTHINK has supported dozens of projects including:

Twenty Nine active **Flexible Degrees and Certificates** (<https://www.pdx.edu/oai/rethink-psu-status-reports>) that include Online Bachelors and Masters in Social Work degrees designed with a statewide mission to serve rural communities, and online degree completion program designed for community college students to complete the program without any loss of credit. Flexible degrees are designed to accommodate learners who combine their studies with other obligations including work and/or family responsibilities by making effective use of technology to offer flexible, high-quality, and affordable options for undergraduate and graduate students.

Implementation of our **Academic & Career Advising** (<https://www.pdx.edu/student-success/academic-and-career-advising-redesign>) project designed to improve support for student success by enhancing the 1:1 relationship between students and advisors, creating consistent advising services, and increasing student self-efficacy and agency. An important area of focus is reducing excessive and wasted credit by transfer students. To support the redesign of these services, PSU invested in 12 academic and career advisors and changed their reporting lines from various schools and colleges to a hub and spoke model.

To meet student demand for a single point of entry to access online resources and services, we have undertaken the **Redesign MyPSU** (<https://www.pdx.edu/student-success/redesign-mypsu>) mobile app project incorporating the MyNextSteps feature.

PSU is also developing wrap-around services for our most vulnerable students by creating a **Coordinated Service Network** (<https://www.pdx.edu/student-success/coordinated-service-network>). We have connected a high-touch model by connecting advising with Financial Aid, Student Financial Services, and the Registrar's Office for students most at risk of dropping out by making sure student services are integrated and seamless. This effort enables coordination among faculty, advisors, and administrators to provide students with the direction they need to efficiently complete academic and administrative tasks.

Interactive Degree Maps (<https://www.pdx.edu/student-success/interactive-degree-maps>) will allow students to chart their academic course from their first class to graduation. This tool will allow students to dynamically compare academic pathways in relation to time and cost, giving students an effective way to make degree planning decisions and eliminate wasted credit.

PSU also offers **Finish in Four** (<https://www.pdx.edu/four-year-degree-guarantee>), our four year graduation guarantee. Undergraduate students who opt into and follow the program will get the support and courses they need to graduate in four years. The four year guarantee provides students with a way to manage the cost of their education and encourages them to complete their degrees on time.

To further help students manage their finances, PSU has created a student **Financial Wellness Center** (<https://www.pdx.edu/student-financial/financial-wellness-center>) providing individual and group financial counseling to students. Additionally, we have introduced a popular student payment plan that allows students to spread their tuition and mandatory fees across three installments each term with no interest.

2. Use of a budget and/or financial management structure that encourages efficiency and precision

In June 2011 the university's Financial Futures Task Force, which had been tasked with evaluating the opportunities and challenges associated with the various resource allocation methods, recommended that the university adopt a new budget model incorporating Performance Based Budgeting (PBB) (<https://www.pdx.edu/budget/history-of-performance-based-budgeting-0>). In preparing for a new budget model the university developed the Revenue and Cost Attribution Tool (RCAT) (<https://www.pdx.edu/budget/revenue-cost-attribution-tool-rcat>) to help us gain better insight into where the education and general (E&G) fund revenue is generated versus which units are incurring the costs. The RCAT helps us identify areas where the revenue earned is out of alignment with the expenditure budget and was the first step in preparing the university for the move to PBB. Universities across North America have historically struggled with collecting and analyzing the information the RCAT provides and have contacted the university to find out how they might adapt it to their own financial situations.

Prior to implementing PBB, the university used an incremental/decremental budgeting model which did not take into account resource realignment strategies for growing units. PBB allows the university the opportunity to reallocate resources in a logical, transparent, and efficient manner that aligns the budget with changing learning needs, program development, and quality in support of faculty and innovation. The Faculty Senate Budget Committee has been very involved in setting principles for PBB and serving as liaisons to academic units. Instead of top-level administrators

prescribing how individual units should spend their budget allocation, the units manage their cost drivers in a way that adheres to our PBB principles and best supports their individual missions. With PBB, units are required to live within their allocation, including accounting for one-time and unexpected costs or opportunities. Our decentralized budget model has encouraged units to become more accurate, collaborative and efficient in planning for the future. More information on how PBB works within Academic Affairs can be found here: <https://www.pdx.edu/academic-affairs/performance-based-budgeting>

3. Use or development of reserves or fund balance-at the central and departmental levels-that maximizes institutional effectiveness

Historically PSU has used education and general (E&G) Fund reserves to prevent draconian budget reductions that would have resulted in a loss of revenue and student support. For example in fiscal year 2013, the central fund balance was reduced by \$10 million. The departmental reserves were held harmless to provide departments flexibility in managing their budget and continuing to provide instruction and key student support services. In fiscal year 2014, additional use of fund balance was required, which necessitated the use of both departmental and central reserves. As a result, the university's E&G fund balance fell over two years by \$18 million. External sources such as Moody's Investors Service noted the low level of PSU's reserves in its evaluation. In December 2016, the university's Board of Trustees adopted a University Reserve Policy (<https://www.pdx.edu/board/board-policies>) establishing a target central reserve balance that would allow the university to manage through an economic downturn or other disruption. We currently fall short of that target by nearly \$24 million. It is likely that in the next fiscal year we will further reduce departmental reserves as we struggle to phase-in the \$9 million of cost reductions necessary to balance our budget with the proposed tuition increases.

4. Computation of Return on Investment (ROI)—in terms of student-focused cost savings—of new or voluntarily increased administrative, faculty or service costs

In recent years, PSU's investments have been largely directed at enhancing student success to ensure students achieve their goals and attain the credentials needed for them to realize a return on their investment in education. Our investment in student success was made possible by the additional allocation from the PUSF we received for the 2015-2017 biennium, and it has had a powerful, long-term impact on our students. From an institutional perspective, the ROI generated from our student success initiatives, including investments in academic advisors and in technology solutions that enhance advising, is expected to arise from improved retention and graduation of our students. In the last year, we estimate that graduation rates increased by over four percentage points with a modest increase in year-to-year retention. Projections of the number of additional graduates over five years range from 70 to 636, a broad range with a correspondingly broad range of possible impacts on institutional revenue. It should be noted that we are in the early stages of implementing our student success initiatives and the actual ROI remains subject to our ability to continue funding the effort.

Another investment made in the last 12-18 months was in campus public safety. The transition of campus safety services to our campus police force was started in December of 2015 and continues as fully trained officers are brought onboard with the goal of providing 24/7 campus coverage.

Much of the early efforts made to support this transition are in the training of officers to respond to the unique challenges of a college campus, including responding to mental health crises, culturally sensitive issues arising from interactions with a diverse student population, and threat assessment and response. Returns on these investments in the form of enhanced response times and lower incidence rates will be evaluated as they are fully implemented and data become available.

For students, a return on their investment can be calculated in terms of the cost of their degree relative to their ability to achieve benefits from it. To that end, PSU continues to seek opportunities to help students reach graduation with less debt, many of which were outlined above in the section describing the responsiveness of our instructional programming. Additionally, PSU has provided workshops and funding to promote and create free Open Educational Resources (OERs) resulting in significant textbook cost savings to students. We offer Credit for Prior Learning in recognition that students entering or returning to college bring with them a wide variety of prior learning experiences through work, travel, volunteering, activities in professional organizations, or self-study. And, we are offering additional bachelors+masters degree programs (3+2) that allow high-achieving students to complete a bachelor's and master's degree at an accelerated pace. The university remains highly focused on providing students with flexible and relevant options along with streamlined academic and career advising support to ensure they have every opportunity to realize a positive return on their investment in a PSU degree.

5. Use of benchmarking to assess institutional efficiency and value to students

Portland State routinely measures its revenues and costs against that of its peers and the other Oregon universities to ensure budgetary choices align with our mission of providing Oregonians with broad access to higher education. Benchmarking institutional revenue from both state allocations and tuition demonstrates that PSU educates students at much lower cost given that our undergraduate resident tuition rates are the second lowest in Oregon, and that the Public University Support Fund (PUSF) allocates to PSU the lowest level of funding per Oregonian degree among the seven public universities. In terms of our educational spending per completion of an academic award, PSU has the second lowest cost in Oregon at \$41,935 (see The Chronicle of Higher Education, http://collegecompletion.chronicle.com/state/#state=or§or=public_four). This low cost relative to other Oregon universities is especially significant when also considering that PSU has the highest number of completions (defined as degrees and certificates of at least one year in duration) per 100 full time equivalent undergraduates (data available at the same link). From an expenditure perspective, with over 75% of the E&G budget dedicated to personnel costs, PSU finds it useful to compare these costs to our peers. The university has engaged Sibson Consulting to conduct a compensation study, including a process of identifying appropriate peer institutions, to benchmark salaries and benefits. Our salaries are competitive with our peers, though after adding in benefits and considering total compensation, our costs significantly exceed those of our peers. Benefits costs are, of course, not controlled institutionally but reflect decisions made at the state level.

Within the university's academic affairs division, benchmarks, goals and thresholds for the indicators of mission fulfillment of our core themes is required by PSU's institutional accreditor

(<https://www.pdx.edu/academic-affairs/institutional-accreditation-materials>), the Northwest Commission on Colleges and Universities (NWCCU). Additionally, over 20 PSU academic programs have specialized accreditation (<https://www.pdx.edu/academic-affairs/programmatic-accreditation>) that serve to provide national standards to benchmark ourselves to.

In terms of student support services, many of the efforts and investments we have recently made, as outlined above, are directed at improving some of the areas in which we have not historically compared well to our peers. For example, prior to the recent investment in professional advisors, PSU had student:advisor ratio of 650:1, well outside that of our peers. With the addition of 12 new advisors, that ratio falls to 485:1, an improvement but still short of the goal to reach a ratio of 380:1.

In order to protect our academic programs, PSU has made difficult choices to restrain expenditures in support areas resulting in significantly lower levels of staffing and other expenditures in comparison to our peers. Within the Finance & Administration division, including areas that protect the health and safety of the university's faculty, staff and students, there are multiple data points suggesting PSU operates at a high level of efficiency. For example, PSU spends \$875 per student and employee FTE on technology, which is less than 64% of the \$1,371 spent by our national peer institutions. PSU Environmental Health and Safety has eight full-time employees on staff, well below the staffing levels of its peers, which range from 14 to 33. The university has accumulated deferred maintenance on its E&G buildings that is 100% higher than our peers. Facilities maintenance budgets among our peers is nearly 50% higher per square foot, and about 300% higher per FTE. Within Academic Affairs, our library expenditures of \$364/student falls well below the \$543/student average among our peers and Oregon public universities. We serve 807 students per professional library staff member compared to 512 students at our peer and Oregon institutions. While we offer these data points as examples of operational "efficiency," it should be noted that the long term trend of eroding investments in support services and facilities has a significant cost that eventually impacts our academic programming and student success.

Portland State has long provided students with an outstanding value by setting tuition rates below the other Oregon universities and striving to achieve a high level of efficiency. We continue to evaluate our systems and processes to find further savings and have identified this as a goal in our recently adopted strategic plan. Work is underway to utilize a disciplined and cross-functional approach to streamline processes, identify systems that can be better integrated to offer students and employees and more seamless experience, and to give PSU even greater confidence that it offers students an outstanding value.

6. Regular engagement with the institution's governing board on the institutional business model, operations and finances, including revenue/expense projections and budget-to-actual variances

Over the last 3 years, PSU engaged at many levels with its Board of Trustees, particularly through the work of the Finance and Administration (F&A) Committee which meets five times a year. Each year we establish annual goals with the F&A Committee. For the current year these goals include: 1) to continue developing stress testing tools and contingency planning models, 2) examine the balance sheets of auxiliary units, 3) debate alternative revenue sources and 4) multi-year enrollment forecasting. June of each year reflects the culmination of six months of engagement

with the F&A Committee when we finalize the budget for the subsequent year. This is then taken to full Board for adoption in the same month. In the following 14 months the F&A committee evaluates quarterly reports, typically in November (Q1), March or April (Q2), June (Q3), September (Q4). These reports include revenue and expenditure actuals and variance from prior year period. At each quarter we also forecast the full year revenue and expenditures and detail significant variances from both prior year actuals and current year budget. All of these reports can be found online at our Board of Trustees website (<https://www.pdx.edu/board/finance-and-administration-committee>). The F&A Committee also meets in January to discuss enrollment trends and cost drivers and to define tuition and budget parameters for the coming year.

We have described performance-based budgeting at PSU and the revenue and cost attribution tool to the F&A Committee. The committee requested a financial dashboard for PSU, and this was developed with their specifications during the FY15-FY16 year. This dashboard is available on the PSU website (<https://www.pdx.edu/fadm/>) and both the Trustees and university employees have been complimentary of the transparency and opportunities for strategic planning it provides. The university and F&A Committee have also been heavily engaged in developing a debt management policy, a reserves policy, and a tuition, fines and fees policy (<https://www.pdx.edu/board/board-policies>).

All told, PSU has been very fortunate to have an engaged Board of Trustees who have volunteered weeks of time and brought their collective expertise to provide financial fiduciary oversight.

7. Use of data and data systems to guide cost-containment efforts

The PSU data warehouse provides years of enrollment and student success data which is mined to help university administrators make informed choices for enrollment planning and reducing overall cost of a degree for students. To allow faculty and staff to make efficient use of this data, PSU has invested in several business intelligence tools that, over the past four years, have allowed us to create hundreds of reports and data analyses combining multiple data sources that now provide actionable data. Low enrollment reports identify courses that are candidates for cancellation or combination; course enrollment trend reports provide multiple year course enrollment trends that help predict scheduling needs prior to course registration; daily enrollment freezes are used for long term budget planning; program portfolio assessment reports compare departmental trends for total enrollment, number of majors, and number of degrees granted.

The entire lifecycle of the student is tracked using reports and dashboards from the data warehouse, from a sophisticated admissions funnel report to retention, graduation, and persistence reports. New programs such as the many online courses and degrees now being offered are tracked by a dashboard which shows trends and effectiveness of these courses, allowing rapid response to ineffective or effective course and program designs.

Students' progress is carefully monitored throughout their tenure at PSU, helping students graduate within four years and without excessive credits, which minimizes the overall cost of their education. We have invested in a unified data platform that analyzes trends in students' academic performance over the last decade and predicts individual students' likelihood to graduate in a wide

range of majors. Predictions are generated by comparing critical academic factors for each student against historical patterns of success or failure. These predictive tools allow advisors to give guidance that is more fine-tuned, proactive, and preventative--honing in on the best pathway to a major, for departments to measure educational effectiveness and quality and to revise the curriculum.

Careful initiation and continued review of academic programs (<https://www.pdx.edu/academic-affairs/academic-program-review>) are key to an institution's viability and reputation. Not only does such an approach provide a level of quality assurance to the public, it also contributes to the broader portfolio of the state's system of public universities. The review process employed by Portland State University serves to track the success of each program and identify its unique strengths. It provides a systematic way to improve programs by examining:

- Adequacy of resources needed to sustain a quality offering;
- Continued ability to address access and market demand;
- Currency of the curriculum within the evolution of the discipline or field; and
- Success of the program in terms of student learning.

At PSU, this process includes rigorous review and approval processes for all new programs and certificates, as well as a systematic review of all existing programs carried out at the college/school level.

As Portland State has mobilized this immense store of data, it has become clear that investing in systems allowing us to make data-informed decisions benefits a broad range of campus stakeholders. Students are able to take advantage of knowledge about pathways to success in their chosen majors based on ten years of data from the students who preceded them. Administrative decisions are enhanced by improved access to data about enrollment trends, the efficacy of various student success initiatives, and the efficiency of classroom usage, among a great many other data points. Our Board of Trustees has access to a vast amount of data compiled in a dashboard (<https://www.pdx.edu/fadm/home>) that allows them to compare PSU's performance to its peers while developing a deep understanding of the opportunities and risks inherent in public higher education. The risk of disinvestment in these systems is to halt or reverse the great advances PSU has made over the last several years in putting data to work for our students, staff, and faculty.

Criteria 4: A summary of how students, faculty and staff were consulted on the proposed tuition increases.

This summary is available in the materials submitted to our Board of Trustees as part of our tuition setting process. We have not duplicated that information herein in accordance with the instructions provided by HECC staff, who have indicated that they have reviewed this information and will provide the summary to the commissioners.

Criteria 5: A summary of how tuition will be affected should additional state funds beyond the number in Governor's Recommended Budget be appropriated.

The university tuition proposal was built using enrollment forecasts and funding of the Public University Support Fund (PUSF) for the 17-19 biennium at the Governor's Recommended Budget level of \$667.3 million. The university's Board of Trustees agreed in its unanimous approval of the tuition and mandatory fee proposal that in the event the PUSF is funded at a higher level, the administration would come back to the F&A Committee for a discussion regarding potential adjustments to both the tuition rate and the extent of necessary budget cuts. While the Board made it clear that a reduction in the tuition increase would be highly favored should additional funding be approved, they also expressed a desire to consider the alternatives when the funding amount is known. Any reduction in the tuition increase or in the proposed cost reductions will need to be approved by the Board. However, recent history suggests the likely direction the university would take. Notably, PSU has a commitment to affordability and in the last biennium, concomitant with the increase in the PUSF allocation, reduced its tuition increase to resident undergraduate students by 1.3% (in fact we were the only university to do so). As outlined above, PSU has taken an approach of using tuition increases and cost reductions in 55:45 ratio to reach a balanced budget. The \$9 million cost reductions reduce faculty and staff positions and will have real impact on student's services and academic quality and the Board has expressed concerns about the impacts of such cuts. The administration would likely propose that an increase in allocation to PSU from higher PUSF funding be used to reduce both the undergraduate tuition rate increase and the level of cost reductions in a similar ratio. At a biennial increase of \$100 million to the PUSF, PSU would be able to reach a balanced budget keeping the increase to resident undergraduate tuition below 5% and decreasing the impact of the cost reductions that are currently underway.

Concluding Comments

We continue to be grateful to the HECC staff and the commissioners for their support and advocacy for PSU. It is regrettable that current circumstances necessitate both dramatic cost reductions and a large undergraduate resident tuition increase. The Board of Trustees has unanimously approved a thoughtful approach which protects the longevity of our institution and protects our most vulnerable students. That said we are moving away from the optimism of last biennium regarding new investment in higher education in Oregon and the benefits it will bring to Oregonians and our state. We encourage the HECC to support the resident undergraduate tuition rate adopted by our Board of Trustees, and to continue to work with us on advocacy for greater funding for higher education in Oregon.

Sincerely,

Dr. Kevin Reynolds, Ph.D.
Vice President, Finance & Administration
Portland State University