

**Docket Item:**

Portland State University (PSU) Tuition Increase Materials

**Docket Material:**

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## **Section A: HECC Staff Summary and Recommendation – Portland State University**

### **Summary:**

The institution clearly met two of the Governor’s criteria (2 and 4). HECC staff is not confident that there is “significant evidence” that Portland State University “seriously considered” resident undergraduate tuition and mandatory enrollment rate alternatives below the statutory review threshold; however, staff is confident that such scenarios were modeled and discussed to some degree during the tuition recommendation process. The resulting indeterminate staff conclusion on this criterion is not unique to PSU. The institution did provide adequate assurance and evidence of an ongoing commitment to managing costs in a sound manner, though, like other institutions, HECC staff was able to identify additional actions or strategies the institution should consider to bolster and coordinate its efforts in this area.

PSU represents its tuition setting process as inclusive and consultative to university stakeholders, including students. Concern was expressed by student survey respondents that student input did not ultimately have any material impact of the final tuition recommendation made to the institutional Board, though the student responses also reported the institution was willing to receive student input and appeared to consider implementation of student ideas.

PSU indicated in its budget development materials that an increase above the Governor’s Recommended Budget funding level for the Public University Support Fund could trigger a review of tuition rates for resident undergraduate students; however, a formal commitment or quantification of any such adjustment based on PUSF level was not incorporated into the Board-adopted tuition and fee rates.

### **Staff recommendation:**

Overall, staff finds that Portland State University has substantially met the goals previously identified by the HECC and those expressed by the Governor through her five criteria. Staff recommends approval of Portland State University’s proposed resident undergraduate tuition and mandatory enrollment rates for the 2017-18 academic year.

## **Section B:**

### **Portland State University**

#### **HECC Staff Evaluation of tuition increase criteria established by Governor Brown**

| Criteria   | Staff Finding | Staff Comments  |
|--|---------------|---|
| 1. Clear and significant evidence that the university gave serious consideration to alternatives that involved tuition and fee increases below the 5% threshold. | Indeterminate | <p>Portland State University, as part of its tuition-setting process, modeled a number of potential tuition and fee rates, including resident undergraduate rates that do not exceed the statutory review threshold. These revenue scenarios were presented at different points in the tuition-setting process in parallel to projected institutional cost increases.</p> <p>Under a rigid interpretation of the Governor's criterion #1, HECC staff believes that "serious consideration" is likely not satisfied through scenario development and review. The clearest evidence of serious consideration would be for the President to have included a below-threshold option in the tuition and fee rate recommendation that was presented to the PSU Board of Trustees for discussion and debate. This did not occur.</p> <p>A more flexible interpretation of criterion #1 may be warranted, however, particularly given the absence of guidance from the HECC during the months that the university was engaged in the tuition-setting process. If the University had been instructed to present a below-5% option to its Board for serious consideration, it is reasonable to expect that it would have done so based on the scenario modeling that it undertook early in the process. While a Board is not obligated to limit its discussion to options presented by the university President, formal evidence of serious consideration is difficult to establish in the absence of a structured proposal from the University's administration.</p> |

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| <p>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.</p> | <p>Meets criterion</p>               | <p>Portland State University's Financial Aid Office projects that at the requested tuition level, increases to the institution's tuition remissions budget will, on average, shield Pell-eligible students from an increase in tuition and fees in the coming academic year. The institution further represents that a below-threshold tuition increase would result in no increase to the tuition remission budget and a likely reduction to the current need-based tuition remission budget. Additionally, a below-threshold increase would threaten the institution's ability to continue support services to underrepresented students and impair its ability to develop flexible degree programs that are popular and efficient pathways for some underrepresented students.</p>  |
| <p>3. A plan for how the university's board and central administration are managing costs on an ongoing basis.</p>  | <p>Substantially meets criterion</p> | <p>Portland State University has outlined a series of actions that are responsive to the current challenging fiscal environment. Among those actions are:</p> <ul style="list-style-type: none"> <li>• Instruction and service delivery that is responsive to demand, including flexible degree programs</li> <li>• Performance Based Budgeting and use of a Revenue and Cost Attribution Tool</li> <li>• Likely use of decentralized, departmental reserves as a bridge to structural cost reductions</li> <li>• Benchmarking against other Oregon public universities and peer institutions</li> <li>• Engagement in a compensation cost study</li> <li>• Annual engagement with committees of the institutional Board on operating and financial goals</li> <li>• Quarterly budget-to-actual reviews by a committee of the Board</li> <li>• Use of a financial dashboard</li> <li>• A commitment to line-item cost-cutting to balance the 2017-18 budget (specific cuts not yet identified)</li> </ul> <p>These responsive and ongoing efforts fall short of a coordinated, specific "plan" as required by Criteria 3 but do represent a serious and transparent institutional commitment to managing costs on an ongoing basis. A formal plan may more fully incorporate the following:</p> <ul style="list-style-type: none"> <li>• Use of a budget advisory group</li> </ul> |

|  |                 |   |
|--|-----------------|---|
|  |                 | <ul style="list-style-type: none"> <li>• A common set of principles that underlie each cost management strategy and how these principles and the resultant strategy ties to the institution's strategic plan</li> <li>• A prescribed method for incorporating institutional data in the evaluation of potential cost management strategies</li> <li>• A policy or statement of commitment to engage the campus the community and communicate cost management process and strategies prior to adoption and throughout implementation.</li> <li>• Broader identification and communication of benchmarks to measure institutional performance and efficiency.</li> </ul>  |
| 4. A summary of how students, faculty and staff were consulted on the proposed tuition increases.  | Meets Criterion | Portland State University submitted to HECC staff a summary of how students, faculty, and staff were consulted on the proposed tuition increases. While this submission itself appears to satisfy a literal interpretation of the Governor's criterion #4, HECC staff has additionally reviewed the submission and surveyed selected students to gain a student perspective of the tuition-setting process. This summary and each student survey response is included in the attached materials. HECC staff notes that students who participated in the tuition-setting process reported that the institution was willing to receive student input, was responsive to student questions, and appeared to consider implementation of student ideas.  |
| 5. A summary of how tuition will be affected should additional state funds beyond the number in Governor's Recommended Budget be appropriated. | Indeterminate   | Portland State University submitted to HECC staff a summary of how tuition will be affected should additional state funds beyond the number in the Governor's Recommended Budget be appropriated. While this submission itself appears to satisfy a literal interpretation of the Governor's criterion #5, HECC staff has additionally reviewed the submission and notes that Portland State University stated in budget development materials that it will consider revisiting 2017-18 tuition levels should the Public University Support Fund approved by the Legislature exceed the Governor's Recommended Budget (GRB). The institution has not presented specific amounts by which tuition would be reduced under varying GRB-plus scenarios. |

## Section C:

| FY 2017-18 Portland State University General Fund Budget Gap<br>Summary (in millions) <sup>1</sup> |                |
|--|----------------|
| <b>E&amp;G Fund Cost Increases</b>   |                |
| Loss in tuition revenue due to enrollment declines   | \$3.8          |
| Salary and Wages   | \$4.1          |
| Minimum Wage   | \$0.7          |
| PEBB Increases   | \$0.4          |
| Retirement Increases   | \$5.2          |
| Other Payroll Expenses   | \$0.4          |
| Services & Supplies Inflation  | \$1.1          |
| <b>Total:</b>  | <b>\$15.7</b>  |
| Decrease in PUSF (GRB level)   | \$4.5          |
| <b>Projected budget gap without action:</b>  | <b>\$20.2</b>  |
| <b>Cost cutting &amp; revenue growth</b>   |                |
| Identified cuts <sup>2</sup>   | \$9.0          |
| Undergraduate tuition increase@ 8.97%  | \$7.1          |
| Other tuition/fee Increase <sup>3</sup>  | \$4.1          |
| <b>Total:</b>  | <b>\$20.2</b>  |
| <b>Projected remaining budget gap:</b>   | <b>\$0.0</b>   |
| <b>Total E&amp;G (GF) Budget<sup>4</sup></b>   | <b>\$293.4</b> |
| <b>Budget Gap as a % of Total E&amp;G Budget</b>   | <b>6.88%</b>   |

1 Reflects general fund cost drivers and revenue growth from budget only

2 Identified Cuts as a % of General Fund Budget is 3.1%

3 Undergrad non residents and all graduate students + summer trailing session

4 FY17 General fund only

## **Section D:**

### **PSU Student Survey Responses:**

#### **Joint Response from ASPSU President Liela Forbes and Tuition Committee member/ASPSU Academic Affairs Director Jose Rojas Fallas**

**Question 1:** This description of events does match my experience during the process of setting the budget for the next biennium. The members and attendees of the Student Budget Advisory Committee (SBAC) were very helpful and willing to provide information as we requested it. Our concerns as students were heard, and I do believe they were open to our suggestions, and possible implementation of them. Ultimately, these decisions are needed to be made with the future in mind and that means sacrifices now. I realize this is not an easy decision to make by them, as much of them are affected as well.

**Question 2:** We requested the input from and provided the ASPSU senate with a presentation of the data and facts we were presented with. A discussion about the meaning of the projected enrollment and necessary cuts were made, as well as what options were being considered. All of this was later communicated to Kevin Reynolds and Andria Johnson during their presentation at a later ASPSU senate meeting. The input was delivered personally and any question we may have asked was equally answered in a timely manner.

**Question 3:** During my testimony to the Finance and Administration Committee meeting, I voiced the concerns that we as students had gathered. As well as providing a list of recommendations with which we hoped to avoid an increase of this magnitude. I do believe we had a minimum impact on the final recommendation, but this was beyond our reach to begin with. I do know, having seen the internal figures and projections, that an increase would be necessary. I also know about the cuts that are being asked of all the schools and colleges. The institution, board and staff were all responsive to our concerns, although maybe not to the degree in which we had any actual influence on the decision-making process. I do appreciate the work they did and all the information they shared, but it did seem to be just an information sharing process, not a joint decision-making one.

## **Section E:**

### **HECC Staff Summary of Portland State University Board Materials - Mandatory Enrollment Fees Increase in Excess of 5%:**

The following is a summary of the Portland State University's (PSU) efforts associated with its tuition increase related to topics the commission wishes to focus on: Affordability, Student Involvement and Cost Controls/Cuts. PSU is proposing an overall increase in resident undergraduate tuition and fees of 8.3%. As prescribed by Oregon law, HECC excludes certain fees from its calculation of the same increase, resulting in a rate of 8.4%, in excess of the 5% review threshold.

#### **Affordability:**

Portland State University will undertake the following efforts to ensure continued student affordability:

- An additional \$1.8 million will be dedicated to increased tuition remissions, which represents about a 10% year over year increase<sup>1</sup>.
- The College Affordability Alliance of Portland area businesses is dedicated to helping PSU increase external scholarship revenue in order to maintain continued affordability<sup>2</sup>.

#### **Student Involvement, Input and Impact:**

Portland State University utilizes a student budget advisory committee, which includes three student representatives, all of whom this year were part of the student government (ASPSU). This group held several meetings throughout the fall and winter terms to help develop tuition recommendations and the student submitted an accompanying letter with the tuition recommendation<sup>3</sup>. In addition, PSU Finance staff have presented and solicited feedback from students on a number of occasions, including direct presentations to ASPSU<sup>4</sup> and to a campus-wide budget forum<sup>5</sup>. Finally, the PSU board held a listening session with students on April 7 on a number of topics including tuition<sup>6</sup>.

PSU student participants in the SBAC have several comments on the proposed increase, including the following<sup>7</sup>:

- Encouraging the university to take a more proactive approach to encouraging and listening to student comments and concerns.
- Consider increasing resources dedicated to helping students better afford all aspects of college costs such as potentially dedicating an adviser to advise students on scholarship opportunities.
- Encourage students to work with the institution to lobby the state for increased support.

#### **Institutional Cuts and Cost Controls:**

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<sup>1</sup> <<https://www.pdx.edu/board/sites/www.pdx.edu.board/files/BoardofTrustees-11Apr2017-Meeting-v1.pdf>> Pages 51-60.

<sup>2</sup> <<https://www.pdx.edu/board/sites/www.pdx.edu.board/files/FinanceandAdministration-05Apr2017-Meeting-v1.pdf>> Page 4-5.

<sup>3</sup> Ibid Page 29.

<sup>4</sup> Ibid page 18.

<sup>5</sup> Budget forum slides at <[https://docs.google.com/presentation/d/1CXChTNbhdqA-Lvu9BLlaPqQyxwLEurip7uRKpMp6\\_PE/edit#slide=id.g1d273fac58\\_0\\_2](https://docs.google.com/presentation/d/1CXChTNbhdqA-Lvu9BLlaPqQyxwLEurip7uRKpMp6_PE/edit#slide=id.g1d273fac58_0_2)>

<sup>6</sup> <<https://www.pdx.edu/board/april-7-2017-special-meeting-with-students>>

<sup>7</sup> <<https://www.pdx.edu/board/sites/www.pdx.edu.board/files/BoardofTrustees-11Apr2017-Meeting-v1.pdf>> Page 61



Portland State University has identified a need for \$9 million in cuts for the upcoming fiscal year<sup>8</sup>. These cuts will come in a variety of areas but are most likely to come in terms of personnel reductions, given that PSU's budget is 85% personnel costs<sup>9</sup>. PSU is electing not to utilize its fund balance at this time due to its view that the fund balance will be needed to limit future tuition increases and avoid future significant cuts. PSU has identified approximately \$8 million in these cuts as part of a strategic planning process begun in fall 2016 and will look to identify the remaining \$1 million in necessary cuts soon<sup>10</sup>.

#### Tuition increases Based on PUSF Levels:

Portland State University has indicated it will consider revisiting tuition levels should the PUSF increase but has not provided any specifics as to how it will do so.

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<sup>8</sup> Ibid Page 58

<sup>9</sup> Ibid page 58.

<sup>10</sup> Ibid Page 58