

# Financial Futures - Revenue



## Report of Subcommittees on:

- State Appropriations
- Tuition & Fee Remissions
- Auxiliaries
- Research
- Fees
- Private Funding

# State Appropriations - Committee

**Including Targeted Programs (i.e. ETIC), Lottery**

Committee Chairs - Michael Fung & Kevin Reynolds

Committee Members:

Larry Wallack

Ren Su

Johnathan Uto

Brooke Jacobsen

(Staff - Deb Janikowski & Andria Johnson)

# State Appropriations - Issues

- Although we can set a goal for the amount PSU receives from the state, and we can “make our case” for this money by targeting it for specific state sanctioned purposes, there are too many variables beyond our control to assume support will be allocated to us based on this request.
- PSU gets less than its fair share of state support, based on our size and productivity.
- What do we do about targeted programs at Portland State if they are de-funded by the state?

# State Appropriations- Emerging Principles

1. As an anchor institution that subscribes to the belief that investing in higher education is the state's best strategy for continued social and economic development, Portland State University (PSU) recognizes its responsibility to Oregon's citizens and will continue to be a strong advocate for the continued funding of Oregon's University System in general, and PSU in particular.
2. As Oregon's only Urban Research University, PSU plays a unique developmental role in the state and will continue to advocate forcefully for its "fair share" of state appropriations and for increased appropriations should the state's fiscal climate improve.
3. As a host institution for several of Oregon's signature "targeted" programs, PSU will continue to be an aggressive advocate for the secure funding of these statewide investments in critical areas of research, training and economic development.

# Tuitions & Fee Remissions - Committee

**Includes summer session, differential, self-support, resource fees,  
Financial Aid**

Committee Chairs - Kevin Reynolds & Michael Fung

Committee Members:

Marvin Kaiser

Jackie Balzer

Barbara Sestak

Jil Heimensen

Stan Hillman

Ray Johnson

Kathi Ketcheson

Sandra Freels

(Staff – Robin Michell, Cher Wildenborg & David Burgess) <sup>5</sup>

# Tuitions & Fee Remissions - Issues

## Overarching Tuition Issues:

- Inload and self support for credit courses to be managed similarly where all tuition revenue is included in central resources.
- What will happen to programs that are not fiscally prudent?
- How will shift of budget model occur and adjustments made from historical budgets to the new model?
- Are all factors equal in value?

## Base Tuition Issues:

- Some programs may have costs in excess of tuition.
- How will special needs of programs (computer labs, facilities, etc.) be addressed in budget model?

# Tuitions & Fee Remissions - Issues

## Differential Tuition Issues:

- If differential tuition increases are the result of market demand, and a higher tuition amount than cost to deliver program is assessed, should the additional revenue be allocated to programs that produce deficits?
- What are the criteria that will allow subsidized programs to exist?

## Self Support Issues:

- Will require ongoing program evaluation to monitor fiscal viability.  
Decision at unit or central level?

# Tuitions & Fee Remissions - Issues

## Summer Session Issues:

- Increasing summer session enrollment.
- Attracting non-PSU students to summer programs.
- Intensive formats (8 week, 9 week) puts additional demands on space. Moving to an 11-week term would address this issue, but would reduce the attractiveness of summer programs for non PSU students (public school teachers and students from semester schools).
- Self Support programs will assume higher rate of overhead expense.
- Current method of classroom scheduling to be evaluated based on programmatic needs and efficient use of space.

# Tuitions & Fee Remissions - Issues

## Fee Remission Issues

- Need for ongoing evaluation to determine if programmatic remissions are successful. What are retention and graduation rates of students who receive these remissions?
- Who determines allocation of these remissions?
- The University may be required to fund targeted remissions regardless of overall institutional goals (OUS requirements)

# Tuitions & Fee Remissions – Emerging Principles

## Overarching Tuition Principle:

1. The University will use one budget model for credit courses which adequately covers full cost to deliver programs.
2. A new budget model will incent units based on various factors such as: sch, degrees awarded, retention, research activity, program cost, RAM cell funding, and strategic initiatives.

## Base Tuition Principle:

1. Tuition should relate to the cost (direct and indirect) to deliver programs.
2. The University will receive and manage all tuition. Definition of all tuition is: inload, self support for credit, summer, and resource fees.

# Tuitions & Fee Remissions – Emerging Principles

## Differential Tuition Principle:

1. The University will receive and manage differential tuition. The University will partner with units to set tuition rates reflective of market demand and total program costs, to the extent prudent and feasible.

## Self Support Principle:

1. Self Support programs will exist for “not for credit” programs. Self Support programs must be 100% self sustaining.

2. Overhead rate will be assessed on revenue; need to evaluate appropriate rate.

# Tuitions & Fee Remissions – Emerging Principles

## Summer Session Principle:

1. Summer session will operate under the same budget model as the academic year with the goal of fully utilizing the revenue generating potential of summer term.
2. Until a new budget model is implemented, the following change is recommended:

The University should incent departments to increase summer enrollment by:

- a) allowing departments to participate in revenue sharing,
- b) assessing overhead to self support programs using revenue as basis,
- c) improving the efficiency of current summer session operating model.

# Tuitions & Fee Remissions – Emerging Principles

## Fee Remission Principle

1. Outside funding resources should be increased to provide additional scholarship resources for students.
2. Fee remissions should support the University's institutional goals and be aligned at a similar level as our peer institutions.

# Auxiliaries & Facilities - Committee

**Auxiliaries (such as housing, dining, parking) & Facilities: including overhead administrative rates**

Committee Chair - Mark Gregory

Committee Members:

Sharon Blanton

Robert Fullmer

Jackie Balzer

Ray Johnson

(staff - Deb Janikowski , Andria Johnson &  
Don Forsythe)

# Auxiliaries & Facilities - Issues

**General Issue A:** We need to consider the total cost of attendance and its impact on enrollment and student success in all auxiliary revenue adjustments.

**General Issue B:** We need expectations for auxiliary fund balances. In order to raise accountability and predictability auxiliary units need to buffer their own cost variability.

**General Issue C:** Internal taxation of auxiliary dollars and fund-raised dollars becomes a disincentive to produce more.

# Auxiliaries & Facilities - Issues

**General Issue D:** Auxiliaries vary significantly in what costs they cover directly. Overhead charges against auxiliaries can be imprecise or not equitable.

**General Issues E:** Aux units may not understand what the overhead charges are covering.

**General Issue F:** Some units have services that can not be priced higher without losing market share to outside providers (Example: housing), increased prices may reduce total revenue.

# Auxiliaries & Facilities - Issues

**General Issue G:** Some units that are managed as auxiliaries are potential money losers, but are desired for other reasons (Example: hotel pays debt on needed land, ticket office supports arts and athletics ticketing)

**Unit Issue A:** Network and telecom funding and budgeting models are using significant cross subsidy. The OIT-NTS unit is depending heavily on traditional phone and move/change revenue – both of which are at risk of being made technologically obsolete. NTS revenue sources should be re-aligned to ensure consistent sustainable service across all of its services.

**Unit Issue B:** Facilities and Planning has an over reliance on cost-recovery – with even routine services being charged back. The units funding sources and service sets should be studied and realigned to better serve the campus.

# Auxiliaries & Facilities – Emerging Principles

1. All pricing for auxiliary services should consider total cost of attendance, market factors and impact on employees.
2. All auxiliary enterprises should be regularly reviewed for revenue generation, organizational efficiency and alignment with Portland State's academic, administrative or community engagement objectives. The university should pursue and grow only those auxiliaries that also align with our mission.
3. The overhead assessment policy for auxiliaries needs to become more equitable and more reflective of true costs of services and on the overall funding for university infrastructure.

# Auxiliaries & Facilities – Emerging Principles

4. The overhead assessment policy is currently 2 tiers – a 5% student and a 16% all other auxiliary tax rate. The 5% cap on student funding activities need to be reviewed in order to reflect the same level of funding required for university general infrastructure.
5. Expanding revenue in areas that bring in outside dollars (ie no impact on total cost of attendance) is preferred to increasing overhead rate or increase burden on students. However, attention must be paid to impacts on the quality of services to campus when campus assets are used to make external revenue.

# Auxiliaries & Facilities – Emerging Principles

6. In order for any auxiliary service to serve its support function and maximize revenue, its rate structure should be calculated based on the “true cost” of all its activities. Cross subsidy should be identified and units should strive to build rates that reduce cross subsidy and reflect the reality of costs incurred.
7. PSU should increase revenue from enterprises that can take place during slack periods, like the summer. Using any slack capacity should be a priority of the University.
8. As part of rate setting, all auxiliary units should also conduct annual planning to identify services, policies or procedures that can be adjusted to reduce costs or administrative overhead without sacrificing service, quality or accountability.

# Research - Committee

## **Including grants, contracts & Indirect Cost Recovery**

Committee Chair - Jonathan Fink

Committee Members:

Michael Fung

Jean Cavanaugh

Kevin Reynolds

Ren Su

Diane Yatchmenoff

(Staff - Jennifer Chambers & Alan Kolibaba)

# Research - Issues

- If research is a priority, then IDC should be used to foster growth of research.
- It is not always clear where IDC money goes.
- Because IDCs are not adequate to fund growth of Research, the University will need to other dollars if this enterprise is to grow.
- How much of the IDC budget supports infrastructure costs?
- Should the approach to building the research enterprise be more like the Foundation's Pyramid Approach?
- Because PSU is unionized, post docs, etc. cost more than at our peer institution.

# Research - Issues

- We need to begin “harvesting the learning” from the Researchers who are being successful in the PSU context. These are faculty members who have broken the code of how to get large grants – even with PSU’s limitations. These may entail some type of career and success mapping project.
- More IDCs should be aggregated for investment – comparable to our peers.
- What is the principle for “waving” IDCs? If the overhead is fixed, then we either transition to a more thorough approach for adjudicating IDC levels...or...we don’t wave IDCs
- How, why, when do we waive IDCs? What forms, process and signatures should be required?

# Research — Emerging Principles

1. The primary reasons that PSU faculty members conduct research are to address societal needs, push back the frontiers of knowledge, advance their professional careers and give students experience with the scientific method. Generating grant revenue for the University is an important factor and benefit for the university, but is not a motivation for the faculty.
2. Research is an expensive enterprise, requiring significant University investment and prioritization. These costs are justified by increases to the institution's overall reputation, ability to recruit faculty and students, and appeal to potential donors, foundations, funding agencies and corporate partners.

# Research — Emerging Principles

3. Because Research is an expensive enterprise, PSU should recognize the importance of building proper infrastructure support so that research activities can thrive. With this goal in mind, the University should establish a proper allocation model for the Indirect Cost Recovery pool to build university wide infrastructure support.

4. Because PSU is growing in size and ambition, and because its resources are highly constrained, the administration needs to preferentially promote those research grants that support agreed-upon strategic priorities and bring in full overhead\*, which in turn more completely offset their costs.

# Research — Emerging Principles

5. In order to better link allocation of resources with the strategic priorities of the University, those Faculty members that generate these “more desirable” grants should thus receive:

- the highest quality administrative support
- reduced teaching loads
- prioritized allocation of research space

\* Although some faculty members prefer (or are obligated to seek) grants that lack full overhead, they must recognize that the costs of administrating their research are subsidized by other faculty whose grants are fully burdened.

# Fees – Committee

**Includes course fees, online, incidental, Rec. Center**

Committee Chair - Darrell Brown

Committee Members:

Melody Rose

Larry Wallack

Jackie Balzer

Dee Wendler

(Staff - Jennifer Chambers & Cher Wildenborg)

# Fees - Issues

- Some fees create perverse incentives that result in undesirable outcomes. E.g., faculty calling classes web-enhanced rather than hybrid so students avoid online fee.
- Some fees pay for services the payers cannot receive. E.g., rec. fee for online international students who never come on campus.
- Some students use fee-based services without paying fees. E.g., students in web-enhanced classes use services without paying the online fee.

# Fees - Issues

- Students are confused by fees and cannot predict the cost of their education.
- Administrative fees are inconsistent across different units/programs. E.g., 5% for student fees, 16% for others.
- Departments create fees to backfill the gap in their base funding. E.g., lab supplies.

# Fees — Emerging Principles

1. Fees must be transparent to the students and departments.
2. Fees must ensure that the full cost of providing the product or service is covered.
3. Fees must ensure that multiple potential service users are treated equitably.
4. Fees levied as an administrative charge need to be consistent across units and programs.
5. Fees levied on high demand products, programs, or services can be set above cost to contribute to the overall benefit of the University.

# Private Funding - Committee

Committee Chair - Francoise Aylmer

Committee Members:

Darrell Brown

Barbara Sestak

Torre Chisholm

Eric Blumenthal

David Johnson

(Staff - Cher Wildenborg , Jennifer Chambers &  
Gayle Schneider)

# Private Funding - Issues

## **Issues affecting PSU's ability to raise private funds:**

- Underdeveloped culture of philanthropy at PSU
  - No institutional prioritization of funding needs
  - Non-strategic in seeking and responding to fundraising opportunities
  - Non-engagement of alumni
  - Lack of appropriate infrastructure for fundraising

# Private Funding - Issues

## Issues affecting PSU's ability to raise private funds (cont.):

- Limited awareness of Development practices and responsibilities
- Lack of integration of the need for private support in communications
- Low endowment doesn't provide financial sustainability
- Perception gap in the quality of education

# Private Funding – Emerging Principles

**Private funding is a critical factor in the long-term financial sustainability of the institution**

1. The endowment will be large enough to become one of the revenue streams supporting the budget.
2. Funding will be secured to support students, faculty, staff, programs and capital projects.
3. All divisions, working with University Advancement, will be engaged in establishing institutional fundraising priorities.

# Private Funding – Emerging Principles

**Private funding is a critical factor in the long-term financial sustainability of the institution (cont.)**

4. The institution is strategic in pursuing and securing private support.

5. University Advancement, Development and Advancement Services are viewed as valued partners by faculty and administration.

6. Sharing of information, collaboration and coordination among the academic units, University Advancement, and other central university planning units is a critical factor for success.

# Financial Futures



## Next Steps