

**University Budget Advisory Council**  
**Action Minutes**  
**Nov 15, 2023**

Members present: Max Amend, Opinder Bawa, Shannon Burchard, Sarah Blackburn, Sonia Camano (in place of Julie Orio), Johnathan Cromwell, Otgo Ehremjants, David Ferguson, Kurt Keilhacker, Laura Hanneman, Michael Harrington, Angelica Martinez, Lindsey McClenahan, Bhavesh Ram, Isabelle Sholes, Brian Young

Members absent and excused: Elisabeth Merkel, Julie Orio

**Welcome & Overview - John Cromwell**

- Approval of Action Minutes: Oct 19, 2023
  - Motion: Sarah Blackburn
  - Second: Laura Hannemann
  - Vote: 13 Yes, 0 No, 1 Abstain

**Review Tuition Increase Files - Michael Harrington**

- **Historical Context:** Tuition rates have varied from 8.5% to 1.9% in the last several years. Our tuition rate increases typically fall in the middle of schools in our competitive set, and we've tended to stay within that zone over several years.
- **Graduate Programs:** Emphasized the need to maintain competitive tuition rates in light of modest career income expectations for graduates, especially in education programs. UBAC will not provide recommendation for graduate tuition rates, because those are typically set by deans to stay relevant to their markets. SOM programs vary between 1.9% to 10% increases. SONHP programs vary 0% to 3.9%. SOE is maintaining a 1.9% increase across the board. Law School varies from 1.9% to 3.9%. Speciality undergrad programs increased 0.9% to 1.9%.
- **Non-Traditional Undergraduate Programs:** Noted the strategy of modest tuition increases in response to competition from lower-priced universities. Stressed the importance of maintaining affordability to attract a diverse student body, while balancing budgetary needs.
- **Undergraduate Enrollment Targets:** Analyzed current enrollment targets (1685 students going down to 1585 next year) against actual performance. Discussed strategies for increasing enrollment while maintaining quality. Examined the impact of adjusted budget targets on net tuition revenue, noting the necessity of balancing enrollment goals with financial sustainability. We have shifted our future projected headcounts down to account for recent data.
- **Discount Rates for Undergraduate and Graduate Programs:** Reviewed discount rates across various student groups, noting the balance between attracting students and managing net tuition revenue. Highlighted the need for dynamic adjustment of discount rates based on recent trends and market conditions.

- **Net Tuition Modeling:** Explored various tuition increase scenarios, examining their potential impacts on net tuition revenue. Discussed the importance of scenario planning in preparing for different market conditions and enrollment trends.
- **Retention and Tuition Increases:** Investigated the relationship between retention rates and tuition increases, recognizing a moderate correlation suggesting higher tuition may impact retention negatively. Historical data show a negative correlation of 0.49, which we can't assume is causal. Emphasized the importance of monitoring retention trends and adjusting tuition strategies accordingly.
- **Structural Budget Imbalance:** Addressed the ongoing challenge of a \$39M shortfall, discussing the necessity of long-term budgetary solutions beyond one-time fixes. Highlighted the impact of the shortfall on strategic planning and resource allocation. Any budget shortfall that we're experiencing this year (about \$9M) needs to be added to the carry-over shortfall from last year (\$39M) along with increases to budget via budget assists this year (@\$13M in requests as of 11-13-23).
- **Contractual Obligations:** Reviewed the increase in contractual obligations, particularly in compensation, and its implications for the university's budget. Discussed strategies for balancing these increases with budgetary constraints, including potential cost-saving measures and alternative funding sources.
- **Comparison with Competitors:** Analyzed UC schools' tuition stability plans that hold tuition constant based on the year students were admitted. Discussed the feasibility of implementing a similar strategy at USF, which has been discussed at USF but not adopted because it adds more financial burden on the university.

### **Open Discussion for Tuition Rate Increase**

- **Tuition Rate Impact on Enrollments:** A request was made to revisit the slide showing the impact of various tuition rates on net revenue. Clarification was provided that the figures are based on total enrollment, factoring in both new student projections and an 82% retention rate. However, there was a suggestion that future decisions account for the potential negative effect that tuition-rate increases has on retention. External consultants account for price elasticity of demand related to new incoming students, but we're not sure if they incorporate impact on existing students. There is a need to further investigate this relationship regarding the timing of when students leave the university, and it should be passed onto the retention committee to include in their analysis and recommendations.
- **Inquiry on Contractual Increases:** The impact of increased contractual obligations on overall compensation was queried. Assurance was given that more detailed information on this matter would be shared in the chat for members' review.
- **Retention Rate and Tuition Increases:** Correlation Between Retention and Tuition Rates. Discussion focused on the correlation between retention rates and tuition increases. It was clarified that while there is a modest correlation indicating potential drops in retention with higher tuition rates, this is not a strong or direct causation. The importance of considering this correlation in future tuition planning was emphasized.

- **Tuition Stability Proposal:** A proposal for tuition stability was introduced, featuring a policy where rates are frozen based on the student's entry cohort. Comparative examples from other institutions implementing similar strategies were highlighted. Challenges and financial implications of such a policy were discussed, noting the complexities and potential impacts on the university's financial health.
- **Pricing Power Between Undergraduate and Graduate Programs:** A comparison was made regarding the pricing power and sensitivity between undergraduate and graduate programs. It was noted that there is less discounting in graduate programs and that recent trends show other institutions awarding more aid to attract graduate students. The discussion included the strategic implications of pricing power for both program types in the context of market competition and student demand. Higher ed is responding by increasing the sticker price, but also increasing the discount rate, which offers more financial aid to students to help offset the increase of tuition over time. Our tuition rate increases in graduate programs are lower due to higher competition, but also the discount rates in graduate programs are much lower.
- **Impact of Tuition on Enrollment:** The potential impact of tuition increases on attracting new students and retaining current ones was discussed. Questions were raised about how changes in tuition rates might affect the university's ability to meet enrollment targets. Is it possible to reduce the tuition and strengthen enrollments? This is probably difficult to accomplish for messaging and perceived value, as any other university that's tried it backed away from it. Furthermore, an alternative possibility would be to offer multiple rounds of financial aid throughout the year based on increased enrollments and net tuition revenue. It's also important to note that the most affluent families end up subsidizing the cost of tuition for other students via the discount rate.
- **Future Action Items and Strategy Considerations:** Suggestions were made to collect data from competitor universities to better understand the relationship between tuition rates and retention. The need for a focused approach by relevant committees on retention issues, particularly in relation to tuition increases, was highlighted. Emphasis was placed on incorporating these insights into future decision-making processes regarding tuition adjustments.

### **Budget Assist Requests and Analysis**

- **Overview of Budget Assists to Date:** Existing contract increases were noted to be approximately \$875K. Non-discretionary increases totaled around \$9.6 million, with discretionary at \$1.6 million, and capital projects at \$1.0 million. It was highlighted that some additional requests were expected, and detailed information would be shared before the next meeting.
- **Understanding the Application Form for Budget Requests**
  - **Strategic Goal Alignment and Initiative Types:** Emphasis was placed on the connection between strategic planning and budgeting processes. Types of initiatives like capital projects, enrollment-related activities, and contract increases were clarified. When people make a budget assist request, they have

the ability to connect it to a strategic initiative, which we discussed earlier this semester.

- **Discretionary vs Non-Discretionary Increases:** Non-discretionary increases were explained as essential adjustments, often contractually obligated, that the university must accommodate. For discretionary increases, there's more flexibility and room for decision-making. The committee will vote on discretionary items and comment on non-discretionary ones. Specific examples of contractual increases were shared, like the Ellucian contract for Banner software, highlighting their inevitability and impact. The process of seeking budget increases to accommodate these contractual obligations was explained.
- **Reallocating Budgets Before the Budget-Assist Process:** There is a lot of review and reallocation of budgets before requests rise to the budget-assist level. This helps ensure that any efficiencies can be achieved within units before making requests to increase the topline operating budget.
- **Evaluation Criteria for Budget Assists:** The committee reviewed criteria such as supporting/enhancing revenues, reducing costs, mitigating risks, and obtaining needs assessments. Emphasis was placed on the importance of these criteria during the evaluation and voting process, especially for discretionary items. Discussions included considerations of how budget assists could potentially generate revenue or require alternative funding sources. The committee stressed the significance of evaluating the return on investments for budget assists.
- **Additional Criteria from Leadership:** Leadership also got an email saying that Discretionary proposals will be evaluated under 4 criteria: Health and safety, Campus and cyber security, Revenue generation, and Essential student need.

### **Closing Remarks**

- Members sought detailed clarifications on tuition increase methodologies, the impact on student demographics, and strategies for managing the structural budget imbalance.
- Plan to continue discussions on converting one-time cuts to base-level cuts, with an eye on long-term financial stability.
- Prepare for a detailed review of budget assists in the upcoming December meeting, focusing on aligning requests with strategic priorities.
- Further develop tuition rate scenarios, incorporating feedback from the meeting and new data as it becomes available.