



Pricing Flexibility Strategies for Student Affordability and University Competitiveness

PACT

October 12, 2018

All tuition and fee setting will be grounded in strategic goals/principles

University Net Price Strategies

are built upon:

System goals with targets for student and university success

University strategies with goals and targets aligned with System goals

University resource plans aligned with university strategies

Board Approves:

System Goals

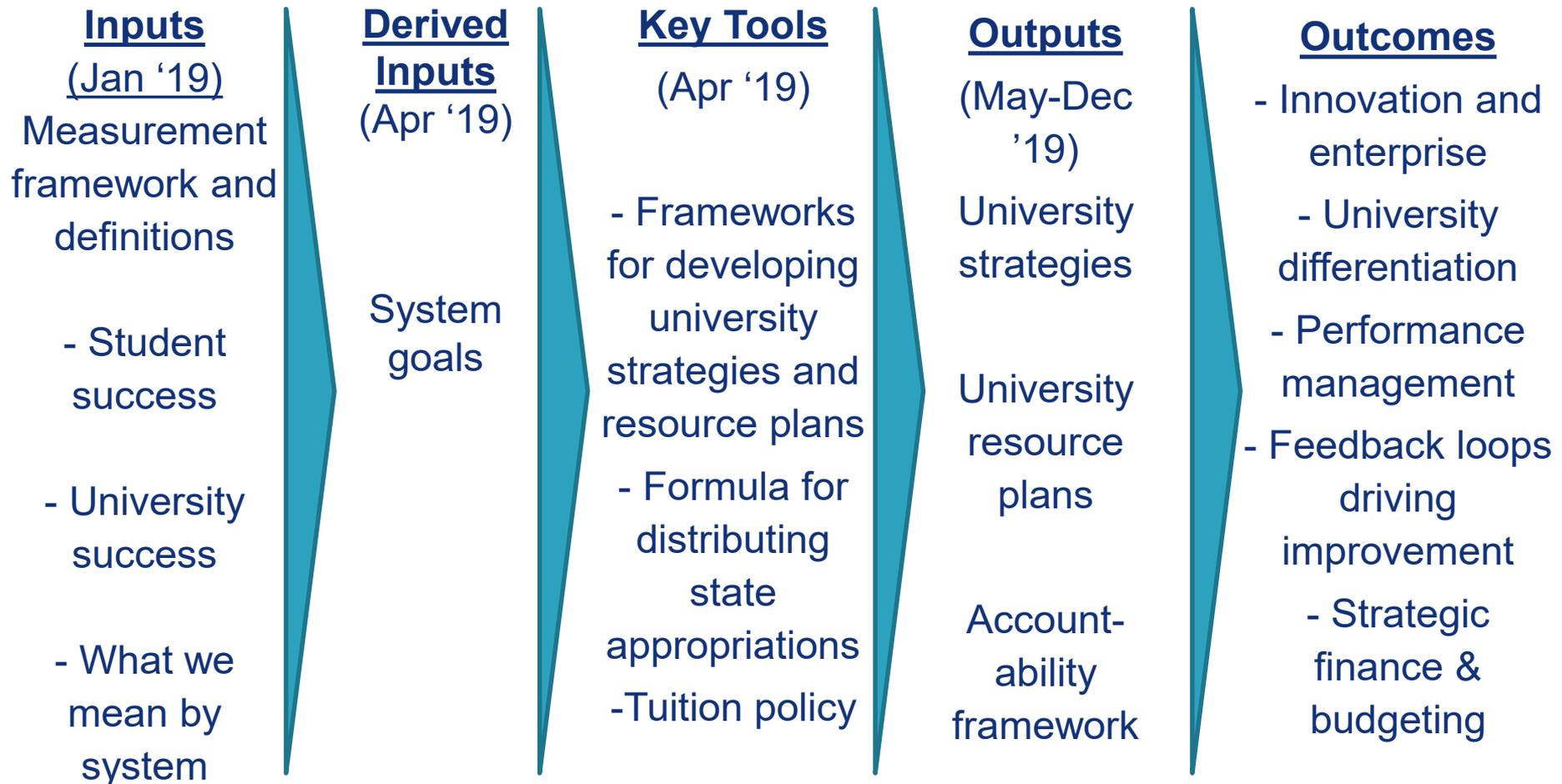
Undergraduate In-state Tuition
–University plans
–Base rate

Allocation of appropriations

A common framework and annual reporting to ensure analytical rigor and accountability



What enterprise management tools in what sequence, why?





Timeline for Development of Basic Enterprise Management Tools and Net Price Strategies

January 2019	Establish System measurement framework and definitions
April 2019	<ul style="list-style-type: none"> • Clarity about System's role and goals for university and student success • Common framework established for developing university strategies, resource plans, and net price strategies • Revisions to tuition policies approved • Accountability framework developed
July 2019	<ul style="list-style-type: none"> • Basic in-state undergraduate tuition set by Board for 2019/20 and tentative tuition rates anticipated for 2020/21 • New formula approved for allocation of state appropriations
May – Dec. 2019 & beyond	University resource plans and net price strategies that align with and advance university strategies, built on a common framework
April 2020	Tuition set for 2020/21 and tentative tuition rates anticipated for 2021/22

Throughout 2018/19, universities will be researching net price strategies, developing tuition proposals, and building institutional capability/capacity to ensure successful implementation.



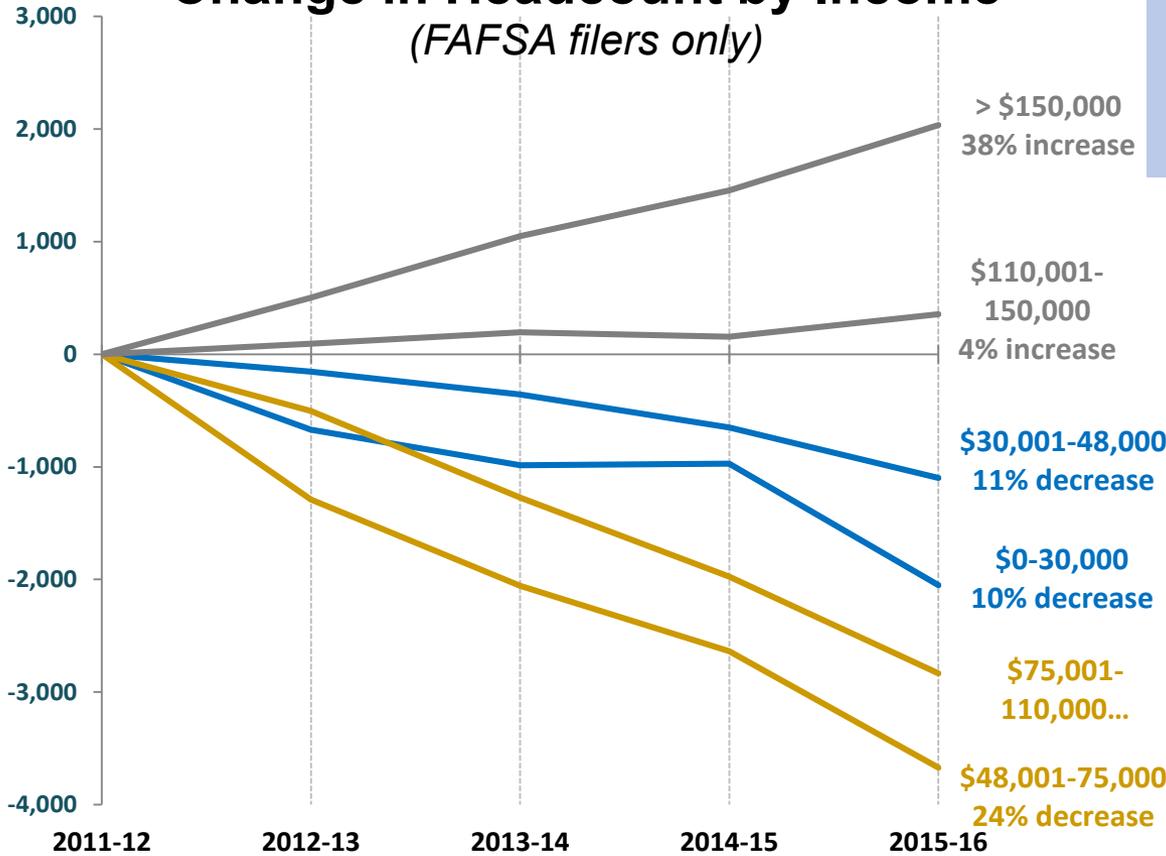
Proposed Tuition Policy Changes

Tuition Category	Old Policy	New Policy
Undergraduate In-State	Board sets basic rate; presidents may propose alternative for Board approval	Presidents, in consultation with council of trustees, recommend net price structure for Board approval
Out-of-State	Presidents propose pricing structure for Board approval	Board delegates authority to presidents
Graduate In-State and Out-of-State	Board sets basic rate; chancellor delegated authority to approve alternative rates by program upon request of president	Board delegates authority to presidents
Distance Education	Presidents set out-of-state rates	No change
Technology Fee	Board sets rate	No change
Timing	Annually set in July	Set in April, with tentative rates for following year
Institutional Aid	Limitations in other Board policies	Eliminate limitations/policies

Constraints: Total Net Average Price

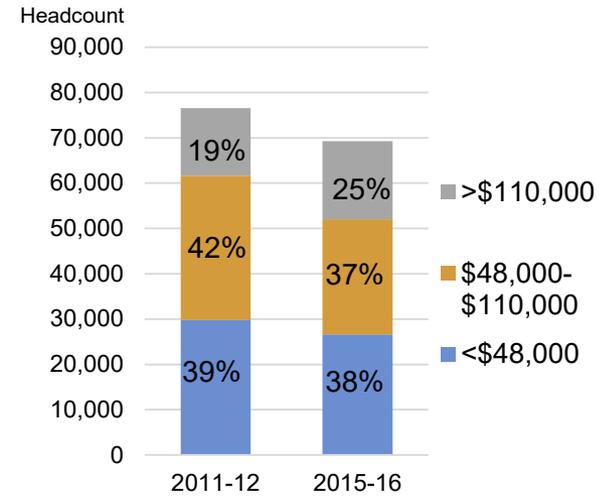
Imputed Relationship with Enrollment

Change in Headcount by Income (FAFSA filers only)



Change in enrollment by family income :
 >\$110,000 +16%
 <\$110,001 -16%
 Change in total undergraduates -10%

In-state Undergraduates by Income (FAFSA filers only)



Source: NCHEMS. Data provided by Pennsylvania's State System of Higher Education Office of the Chancellor. Data are for FAFSA filers only. During this time period fall headcount undergraduate in-state enrollment declined 9,129 students, or 10%. FAFSA-Free Application for Federal Student Aid.

Constraints: Total Average Net Price— Inequitable Impacts

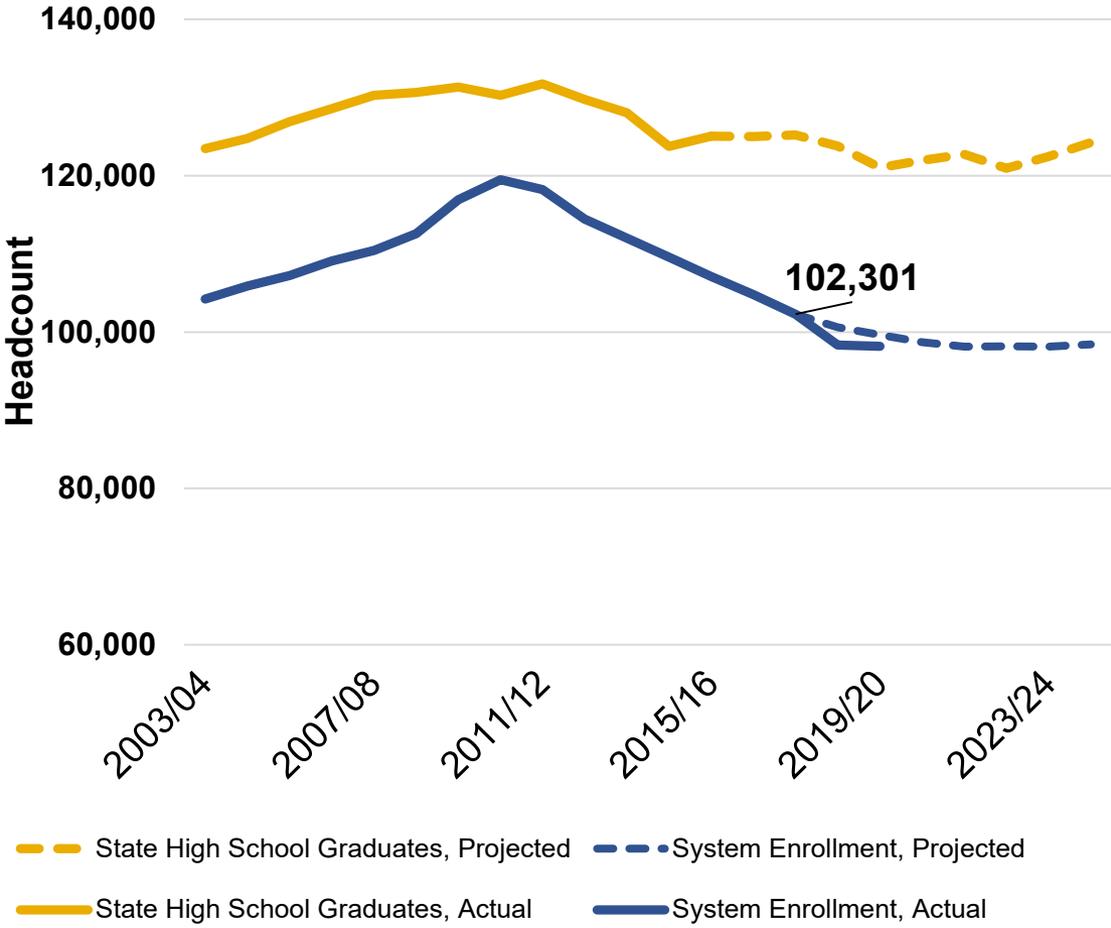
Percent of Income Used for Tuition & Fees

First-time, full-time, in-state freshmen who received federal aid

Institution	Family Income: \$0-\$30,000			Family Income: \$30,001-\$48,000			Family Income: \$48,001-\$75,000			Family Income: \$75,001-\$110,000			Family Income: \$110,000+		
	% of Total Students	Average Net Price	% of Family Income: \$30,000	% of Total Students	Average Net Price	% of Family Income: \$39,000	% of Total Students	Average Net Price	% of Family Income: \$61,500	% of Total Students	Average Net Price	% of Family Income: \$92,500	% of Total Students	Average Net Price	% of Family Income: \$125,000
Bloomsburg	20.7%	\$14,377	47.9%	13.3%	\$15,534	39.8%	17.1%	\$18,310	29.8%	22.0%	\$21,311	23.0%	26.8%	\$22,075	17.7%
California	28.8%	\$15,819	52.7%	14.1%	\$16,296	41.8%	19.2%	\$20,404	33.2%	20.3%	\$22,943	24.8%	17.5%	\$24,143	19.3%
Cheyney	52.3%	\$14,025	46.8%	23.3%	\$14,031	36.0%	9.3%	\$18,039	29.3%	10.5%	\$19,655	21.2%	4.7%	\$23,397	18.7%
Clarion	22.4%	\$15,799	52.7%	15.4%	\$16,292	41.8%	21.6%	\$19,148	31.1%	23.1%	\$22,504	24.3%	17.5%	\$23,009	18.4%
E. Stroudsburg	33.0%	\$13,995	46.7%	14.8%	\$14,650	37.6%	15.7%	\$18,682	30.4%	17.5%	\$20,807	22.5%	19.0%	\$21,974	17.6%
Edinboro	27.5%	\$12,569	41.9%	15.3%	\$13,130	33.7%	21.5%	\$16,572	26.9%	20.6%	\$19,641	21.2%	15.1%	\$19,918	15.9%
Indiana	27.4%	\$16,075	53.6%	13.5%	\$17,569	45.0%	18.3%	\$21,119	34.3%	18.1%	\$24,266	26.2%	22.7%	\$25,245	20.2%
Kutztown	20.2%	\$15,953	53.2%	11.6%	\$17,031	43.7%	18.0%	\$19,782	32.2%	21.0%	\$23,340	25.2%	29.2%	\$24,424	19.5%
Lock Haven	22.3%	\$14,900	49.7%	13.9%	\$15,541	39.8%	19.5%	\$18,714	30.4%	23.0%	\$22,009	23.8%	21.3%	\$22,727	18.2%
Mansfield	26.3%	\$17,132	57.1%	17.1%	\$17,972	46.1%	17.1%	\$20,258	32.9%	19.3%	\$24,577	26.6%	20.3%	\$25,809	20.6%
Millersville	14.5%	\$16,066	53.6%	10.3%	\$17,736	45.5%	17.1%	\$20,680	33.6%	25.0%	\$24,022	26.0%	33.1%	\$25,179	20.1%
Shippensburg	19.5%	\$16,769	55.9%	13.3%	\$17,875	45.8%	18.1%	\$20,822	33.9%	23.8%	\$24,457	26.4%	25.3%	\$25,588	20.5%
Slippery Rock	16.2%	\$13,296	44.3%	13.4%	\$14,437	37.0%	19.7%	\$17,676	28.7%	23.1%	\$22,031	23.8%	27.5%	\$22,699	18.2%
West Chester	13.9%	\$16,736	55.8%	12.0%	\$17,787	45.6%	14.9%	\$21,352	34.7%	18.3%	\$24,045	26.0%	40.9%	\$24,813	19.9%
Total PASSHE	22.0%	\$15,284	50.9%	13.4%	\$16,326	41.9%	18.0%	\$19,587	31.8%	20.9%	\$22,868	24.7%	25.7%	\$23,968	19.2%
Lincoln	47.1%	\$17,191	57.3%	21.1%	\$17,157	44.0%	15.2%	\$20,254	32.9%	11.3%	\$23,678	25.6%	5.4%	\$24,395	19.5%
PSU-Main	11.4%	\$21,514	71.7%	8.8%	\$22,101	56.7%	12.2%	\$26,602	43.3%	18.8%	\$32,131	34.7%	48.9%	\$34,177	27.3%
PSU-Branches	22.8%	\$14,810	49.4%	14.9%	\$15,899	40.8%	17.9%	\$19,159	31.2%	20.8%	\$23,407	25.3%	23.6%	\$25,281	20.2%
Temple	19.1%	\$18,655	62.2%	10.9%	\$19,296	49.5%	15.5%	\$22,237	36.2%	18.0%	\$24,584	26.6%	36.4%	\$26,941	21.6%
Pitt-Main	10.4%	\$21,247	70.8%	7.8%	\$22,142	56.8%	13.4%	\$26,245	42.7%	20.2%	\$28,871	31.2%	48.2%	\$31,213	25.0%
Pitt-Branches	21.6%	\$15,888	53.0%	12.5%	\$15,539	39.8%	18.6%	\$19,143	31.1%	22.6%	\$21,302	23.0%	24.8%	\$22,444	18.0%
SUNY Brockport	25.6%	\$10,003	33.3%	15.6%	\$12,671	32.5%	14.9%	\$17,746	28.9%	20.5%	\$20,245	21.9%	23.4%	\$20,851	16.7%
Montclair, NJ	35.8%	\$13,231	44.1%	16.2%	\$15,604	40.0%	15.1%	\$20,415	33.2%	12.7%	\$24,562	26.6%	20.1%	\$24,952	20.0%

Source: IPEDS Data is for the 2016-17 year for first-time, full-time undergraduate students who received Title IV federal financial aid and paid in-state tuition.

Constraints: Enrollment—High School Graduates



Percent of High School Graduates Who Attend College Has Declined

2004/05	72%
2010/11	74%
2016/17	66%

Source: PIMS

State System Has Maintained Its Market Share* of Those Attending College:

2004/05	19.6%
2010/11	19.6%
2016/17	19.2%

*Regular First-time Admits

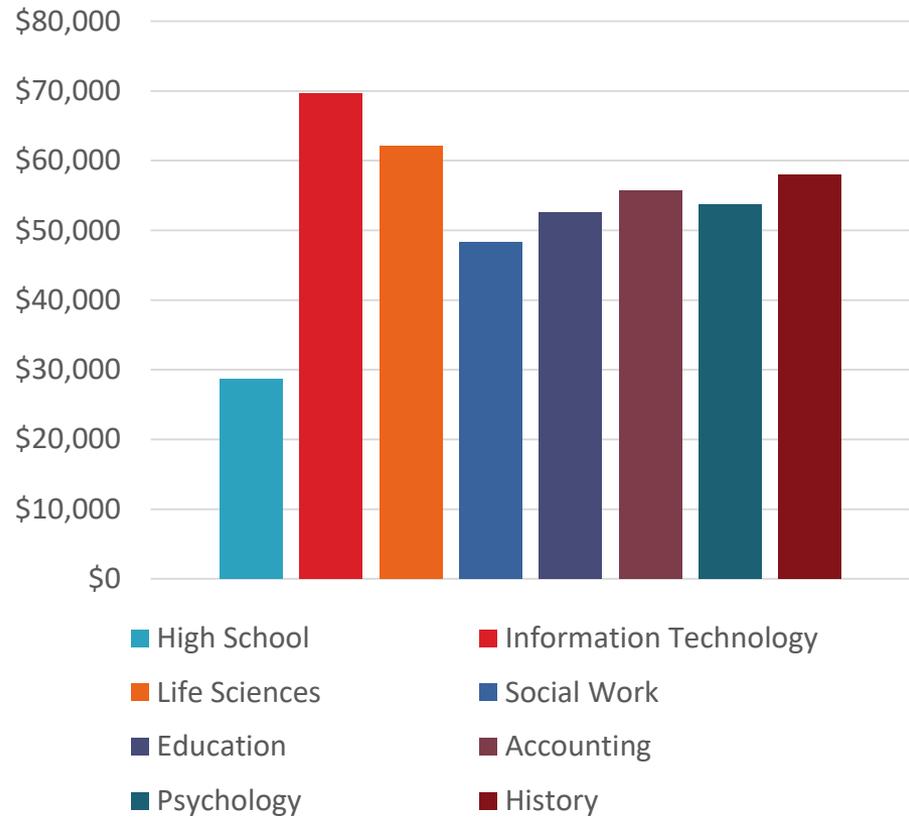
*Projected by Office of the Chancellor. No change estimated for out-of-state enrollment. Source for high school graduate estimates: Pennsylvania Departments of Health and Education. Methods based on Western Interstate Commission for Higher Education; updated January 2018.



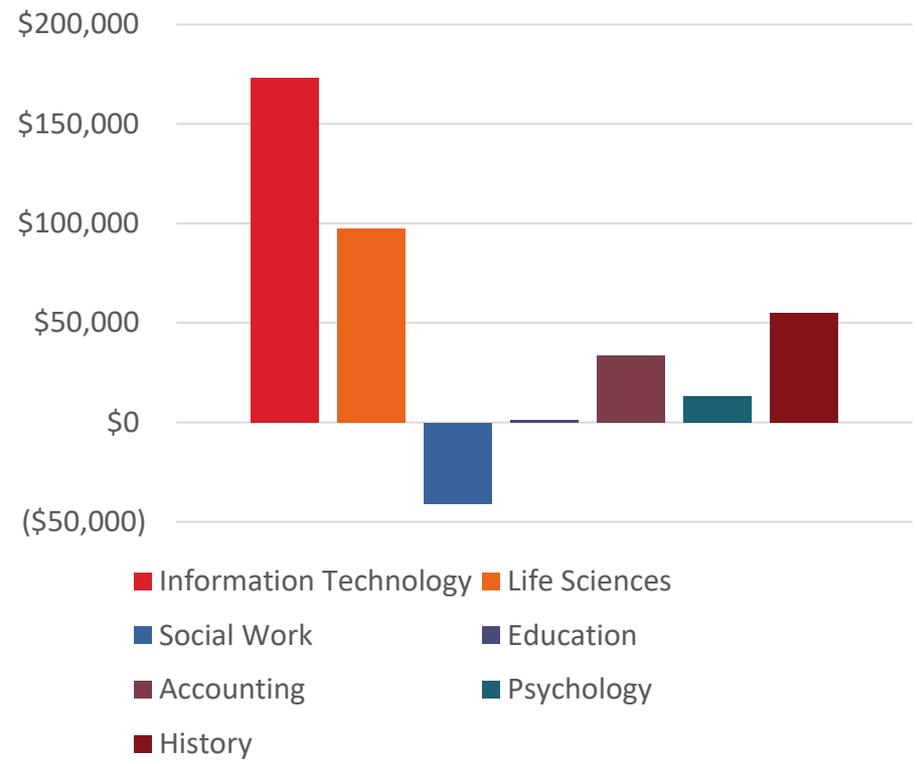
Constraints: Perceived Return on Investment

Impact on Standard of Living from Investment in a College Degree

Annual Earnings by Degree



15-Year Net Earnings by Degree Over/Under High School Diploma

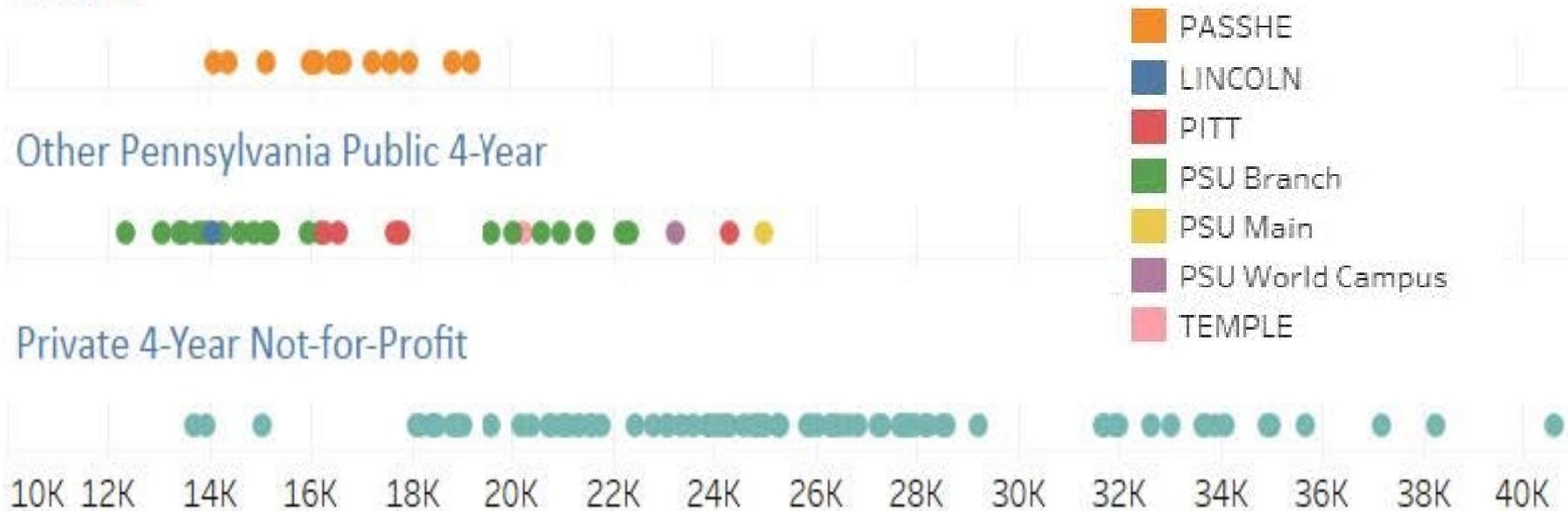


15-Year Net Earnings Assumes: High school graduate earns average salary 15 years—a total of \$430,080. College graduate is out of workforce for 5 years to complete bachelor's degree. College graduate earns average salary for 10 years; earnings are reduced by average net cost of education (\$93,975). No adjustments for inflation or pay increases. Based on 2016/17 costs.

Constraints: Competitor Pricing Trends Highlight Need for Pricing Flexibility

Based on the average net price (full cost of attendance* after grant aid) compete effectively on price with many private non-profits but not with public 4-year comprehensives

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*Tuition, mandatory fees, room, board, books, and miscellaneous expenses

State System universities have the largest shares of low-income students among first-time freshmen in Pennsylvania, apart from the community colleges.

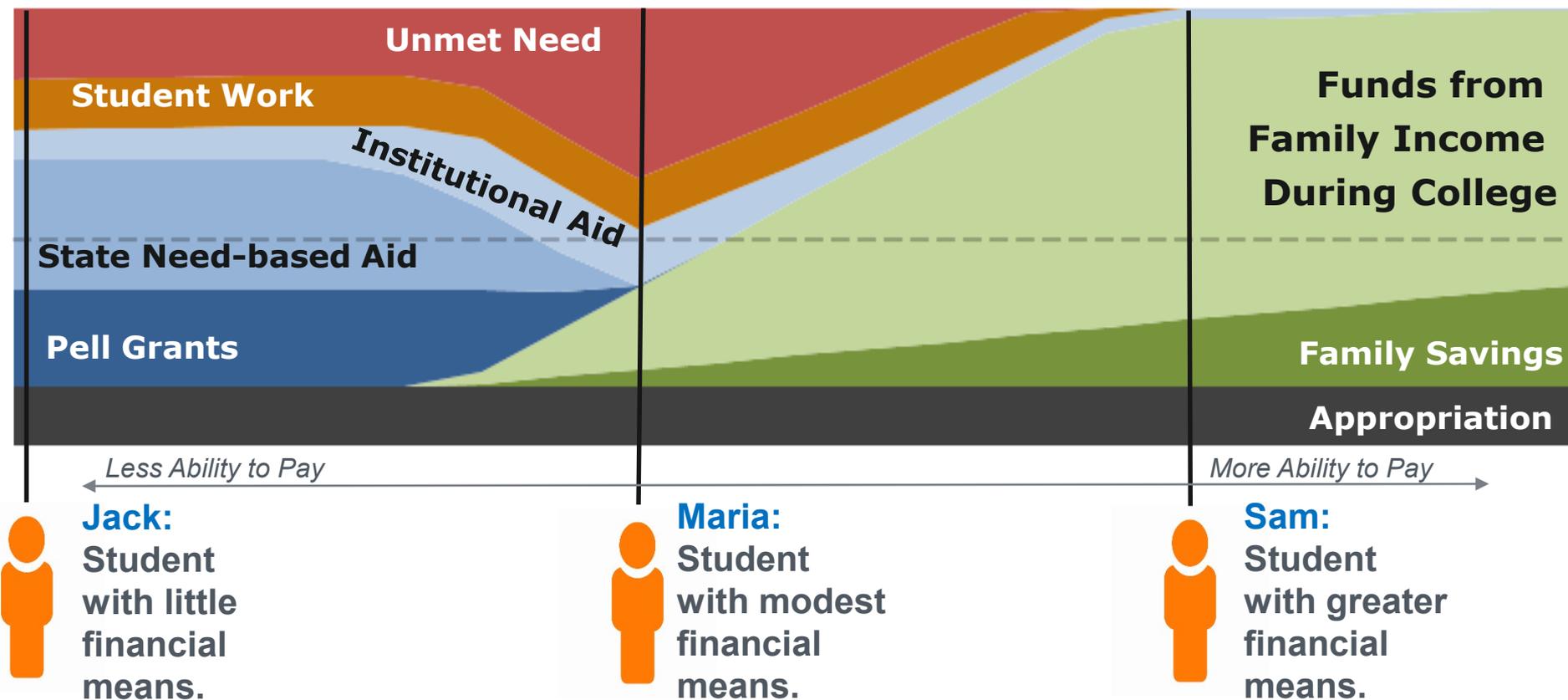


Appendix:

Policy Background and Glossary

Affordability and Competitiveness With Limited Pricing Flexibility

Resources available to pay for education

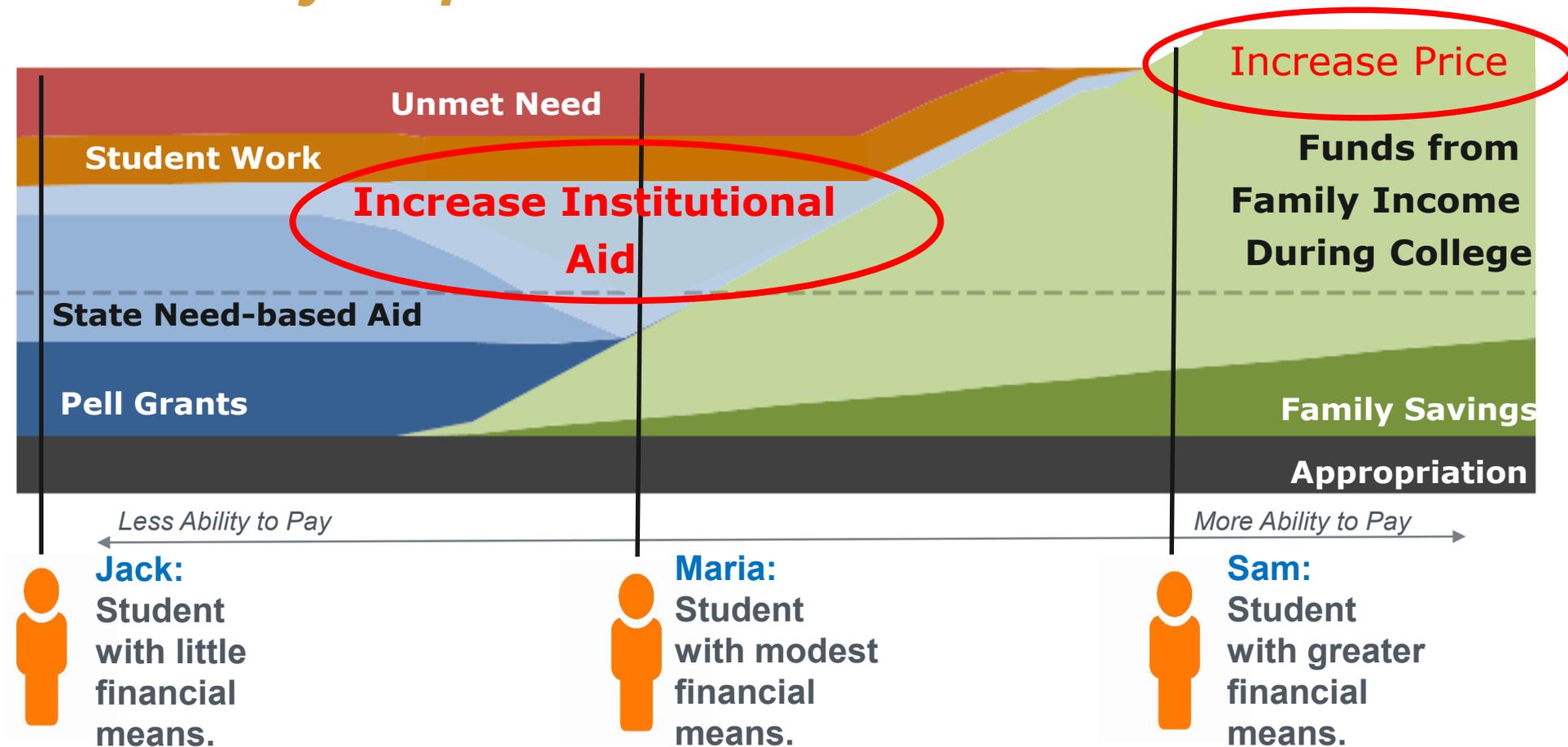


Source: Washington Student Achievement Council.

Graphic is not proportional to Pennsylvania's resources as state grant eligibility exceeds the Pell grant cut off.

Impact of Greater Pricing Flexibility

Some may pay more in order to create greater flexibility to provide institutional aid



Source: Washington Student Achievement Council.

Graphic is not proportional to Pennsylvania's resources as state grant eligibility exceeds the Pell grant cut off.

An Illustration: Effective Application of Pricing Flexibility Can Result in Increased Enrollment and Increased Revenue

Based on annual tuition, fees, room, and board of \$20,000

Current practice, with **limited** institutional aid



10 Full Pay Students at \$20,000=200,000



3 Partial Pay Students at \$15,000=45,000

13 Students; Total Revenue= \$245,000

Proposed practice, with **greater** institutional aid



9 Full Pay Students at \$20,000=180,000



6 Partial Pay Students at \$15,000=90,000

15 Students; Total Revenue= \$270,000



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UniversitySlippery Rock
UniversityWCU
WEST CHESTER
UNIVERSITY

Tuition Policy— Proposed Key Requirements

- A university's proposal for in-state undergraduate tuition will be part of a total resource plan that is developed to advance a university's strategy and the specific goals identified in it.
- The university's strategy, its resource plan, and its proposal for in-state undergraduate tuition will align with and advance System goals and principles having to do with equity, access, student outcomes, and sustainability; and be subject to Board approval.
- University strategies, resource plans, and proposals for in-state undergraduate tuition will be developed using common frameworks ensuring consistent analytical rigor, and progress will be evaluated routinely with a common accountability framework.



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Benefit from Proposed Tuition Policy

- **Flexibility.** Pricing flexibility and the use of institutional aid will align with a university's strategy, take account of differences in demand, regional economy, scope and program array, and students' ability to pay.
- **Predictability.** Pricing will be set on a multiyear basis which will provide greater predictability for students' financial planning and better equip prospective students to make enrollment decisions.
- **Affordability and competitiveness.** Through their pricing and use of institutional aid, universities will ensure they are both affordable and competitive.
- **Accountability.** A university's pricing approach and its use of institutional aid will be aligned with its strategic goals and impact will be evaluated annually by the Board.





Board of Governors

Evolution of Pricing Flexibility

Commissioned pricing elasticity and brand value study (Maguire)

Commissioned System Review (NCHEMS)

2012

2014-2016

2016-2017

2017-2018

Adopted tuition and fee pricing pilots; required need-based aid component

Revised tuition and fee policies

Convened Collaborative Pricing and Regional Affordability Work Group

Increased capacity to provide institutional financial aid.



Collaborative Pricing and Regional Affordability Task Group* Timeline and Milestones



*A System Redesign Initiative



Glossary

- **Cost of Attendance (COA):** Generally includes the tuition and fees normally assessed a student, together with the institution's estimate of the cost of room and board, transportation and commuting costs, books and supplies and miscellaneous personal expenses.
- **Cost of Education (or Price of Attendance or Direct Costs):** Educational costs billed by the university to the student and paid directly to the university, such as tuition, fees, on-campus housing, and meal plans.
- **Discount Rate:** A calculation to quantify the proportion of tuition and fee revenue that is not collected as a result of institutional grant aid awarded. The preferred calculation is: total institutional grant aid divided by total gross tuition and fee revenue. (See Institutional Grant Aid.)
- **Expected Family Contribution (EFC):** The amount a student and his/her family are expected to pay toward the cost of attendance, as calculated by a federally-mandated formula. The EFC is used to determine a student's eligibility for the student financial assistance programs.



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Glossary *(continued)*

- **Free Application for Federal Student Aid (FAFSA):** The financial aid application document completed by the student, and the student's parents if applicable, that collects household and financial information. The FAFSA is the foundation document for all federal need analysis, as well as for determination for eligibility for the Pennsylvania State Grant.
- **Financial Aid Package:** Includes any aid such as grants, scholarships, loans and work-study offered to the student to assist in the funding of his/her education.
- **Gift Aid:** Financial aid that is not repaid, such as scholarships and grants.
- **Grant:** A type of financial aid that does not have to be repaid; usually awarded on the basis of need, possibly combined with some skills or characteristics the student possesses.



Glossary *(continued)*

- **Institutional Grant Aid:** Includes grants awarded by the institution on the basis of students' financial need, academic merit, athletics, or any other criteria an institution may use. It excludes: federal or state grant aid, private scholarships, institutional matches for externally funded student aid grants, tuition benefits for institutional employees or their dependents, or tuition exchange programs. Sources of institutional financial aid include restricted and unrestricted gifts from annual funds, revenue from restricted and unrestricted endowments, and the college's general (or foregone) revenue.
- **Scholarship:** Gift aid that might or might not be based on need, but is awarded typically through a competitive process that might include other factors such as academic performance, athletic ability, special talents or affiliation with a particular organization or group.
- **Unmet Need:** The full difference between his or her student's ability to pay and the cost of education. This gap is known as the unmet need.