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CLARION UNIVERSITY



Board of Governors

Thursday, July 12, 2018

Boardroom
Dixon University Center
2986 North Second Street
Harrisburg, PA 17110-1201

9:00 a.m. Board of Governors Meeting

1. Call to Order / Roll Call of Board Members
2. Pledge of Allegiance
3. Chair Report
4. Public Comments
5. Chancellor Report
6. Student Spotlight – Celebrating student success in athletics (Page 4)
7. Consent Agenda

(NOTE: The items within the Consent Agenda will be acted upon in a single motion. If any Board member believes that an item requires discussion, that Board member may request the item be removed from the Consent Agenda prior to the vote. The exempted item then moves to the regular agenda, and the Board may take action as it deems appropriate. The remainder of the Consent Agenda will be acted upon in a single vote.)

- A. Minutes (sent separately): April 5, 2018, April 26, 2018, May 21, 2018, and May 30, 2018 meetings.
- B. University Success Committee actions from July 2, 2018
 1. Policy Reform for System Redesign – Policy Revisions (Page 9)
 - a. 1983-03-A: *Student Activity Fees* (Page 11)
 - b. 1983-22-A: *Use of Facilities* (Page 14)
 - c. 1983-24-A: *Decentralization of the Position Classification Process in the State System* (Page 15)
 - d. 1988-01: *Collection of any Monies from Students* (Page 17)
 - e. 1993-03: *Budgetary Reporting and Review* (Page 18)

- f. 1994-01: *Administration of the Keystone Recreation, Park, and Conservation Fund (Act 50 of 1993)* (Page 20)
 - g. 1996-03-A: *Defining Auxiliary Enterprises and Establishing Financial Reporting Requirements* (Page 22)
 - 2. Policy Reform for System Redesign – Policy Rescissions (Page 25)
 - a. 1986-03: *Waiver of Tuition Differential* (Page 27)
 - b. 1990-03-A: *Finance, Operation, Maintenance, and Capital Renewal of Auxiliary Facilities* (Page 28)
 - c. 1998-02: *Human Resources Complement Management* (Page 32)
 - 3. Acquisition of Property, IUP (Page 33)
 - 4. Acquisition of Property, West Chester University (Page 36)
 - C. Student Success Committee actions from June 28, 2018 (Page 39)
 - Policy Reform for System Redesign
 - 1. Policy Revisions 1985-01-A: *Requirements for Initiation or Change of Credit-Based Academic Programs* (Page 42)
 - 2. Policy Revisions 1986-04-A: *Program Review* (Page 45)
 - 3. Policy Revisions 1984-12-A: *Honorary Degrees* (Page 48)
 - 4. Policy Revisions 1989-01-A: *University Diplomas* (Page 50)
 - 5. Policy Revisions 1990-06-A: *Academic Degrees* (Page 52)
 - 6. Rescission of Policy 1984-09-A: *Student Affairs Manuals* (Page 57)
 - D. Audit and Compliance Committee actions from June 28, 2018
 - 1. Fiscal Year 2018/19 Budget and Staffing Level for Compliance and Office of Internal Audit and Risk Assessment (Page 61)
 - 2. Office of Internal Audit and Risk Assessment Fiscal Year 2018/19 Internal Audit Work Plan (Page 63)
 - E. Governance and Leadership Committee actions from July 11, 2018
 - Policy Reform for System Redesign
 - 1. Rescission of Policy 1984-10: *Mission* (Page GL-3)
 - 2. Rescission of Policy 1997-02: *Community Relations* (Page GL-4)
 - 3. Rescission of Policy 2000-01: *Graphic Identity* (Page GL-6)
 - 4. Rescission of Policy 2002-02: *Duties and Responsibilities of Presidents* (Page GL-8)
- 8. State System Foundation Update
- 9. System Redesign (Page 70)
 - a. Task Group Updates
 - b. Delegation of Authority in Approval of New Academic Degree Programs: Towards Greater Efficiency
- 10. Fiscal Year 2018/19 Financial Plan Update (Page 71)
- 11. 2018/19 Tuition and Technology Tuition Fee Rates (Page 77)
- 12. Fiscal Year 2018/19 Educational and General Appropriation Allocation (Page 81)
- 13. Strategies for Affordability (Page 85)

14. Election of officers
15. Resolutions
16. New business
17. Adjournment

(Executive session will be called as needed)

Board Members: Cynthia D. Shapira (*Chair*), Senator Ryan P. Aument, Audrey F. Bronson, Joar F. Dahn, Secretary Sarah E. Galbally (Governor Wolf's designee), Representative Michael K. Hanna, Donald E. Houser Jr., Rodney Kaplan, David M. Maser (*Vice Chair*), Barbara McIlvaine Smith, Marian D. Moskowitz, Thomas S. Muller, Secretary of Education Pedro A. Rivera, Senator Judith L. Schwank, Harold C. Shields (*Vice Chair*), Samuel H. Smith, Brian H. Swatt, Representative Mike Turzai, Neil R. Weaver, Governor Thomas W. Wolf, and Janet L. Yeomans.

For further information, contact Randy A. Goin Jr. at (717) 720-4010.

Board of Governors Meeting

July 12, 2018

SUBJECT: Student Spotlight: Celebrating Our Student Athletes–Clarion University of Pennsylvania–NCAA Division II National Champion, 1-Meter Dive: Christina Sather (RESOLUTION)

UNIVERSITIES AFFECTED: Clarion University of Pennsylvania

BACKGROUND: Christina Sather of Clarion University of Pennsylvania competed at the 2018 National Collegiate Athletic Association (NCAA) Division II Swimming and Diving Championships held in Greensboro, North Carolina. A junior, Sather finished first in the 1-meter dive to win the national championship in the event. She also finished third in the 3-meter dive and was named the College Swimming Coaches Association of America's Division II Women's Diver of the Year for her accomplishments. She is now a six-time All-American.

Christina showcased the overall quality of student-athletes in Pennsylvania's State System of Higher Education. She is a source of pride, not only for Clarion University, but also for the State System as a whole.

COACH:

Dave Hrovat

Supporting Documents Included: N/A

Other Supporting Documents Available: N/A

Prepared by: Kathleen M. Howley

Telephone: 717-720-4200

Board of Governors Meeting

July 12, 2018

SUBJECT: Student Spotlight: Celebrating our Student Athletes–Millersville University of Pennsylvania–NCAA Division II National Champion, Shot Put: Sunflower Greene
(RESOLUTION)

UNIVERSITIES AFFECTED: Millersville University of Pennsylvania

BACKGROUND: Sunflower Greene of Millersville University of Pennsylvania competed at the 2018 National Collegiate Athletic Association (NCAA) Division II Women’s Indoor Track and Field Championships held in Pittsburg, Kansas. Sunflower finished first in the shot put event, with a winning toss of 53 feet, 4¾ inches, breaking her own Pennsylvania State Athletic Conference record. She also finished second in the outdoor championships held recently in Charlotte, North Carolina. Only a junior, she is now a four-time track and field All-American (earning the honor twice each in the indoor and outdoor seasons) tying Millersville Hall of Fame member Priscilla Jennings for the most track and field All-America finishes in program history.

Sunflower showcased the overall quality of student-athletes in Pennsylvania’s State System of Higher Education. She is a source of pride, not only for Millersville University, but also for the State System as a whole.

COACHES:

Head Coach Andy Young
Throws Coach Brittany Hartman

Supporting Documents Included: N/A

Other Supporting Documents Available: N/A

Prepared by: Kathleen M. Howley

Telephone: 717-720-4200

Board of Governors Meeting

July 12, 2018

SUBJECT: Student Spotlight: Celebrating our Student Athletes–Slippery Rock University of Pennsylvania–NCAA Division II National Champion, Pole Vault: Courtney McQuaide
(RESOLUTION)

UNIVERSITIES AFFECTED: Slippery Rock University of Pennsylvania

BACKGROUND: Courtney McQuaide of Slippery Rock University of Pennsylvania competed at the 2018 National Collegiate Athletic Association (NCAA) Division II Women’s Outdoor Track and Field Championships held in Charlotte, North Carolina. A redshirt junior, McQuaide won the national championship in the pole vault, clearing 3.95 meters with her final successful vault. Her championship performance completed her comeback from a serious injury two years ago that caused her to miss an entire year of competition. Courtney earned her second straight first team All-America honor.

Courtney showcased the overall quality of student-athletes in Pennsylvania’s State System of Higher Education. She is a source of pride, not only for Slippery Rock University, but also for the State System as a whole.

COACHES:

Head Coach John Papa
Assistant Coach Bill Jordan

Supporting Documents Included: N/A

Other Supporting Documents Available: N/A

Prepared by: Kathleen M. Howley

Telephone: 717-720-4200

Board of Governors Meeting

July 12, 2018

SUBJECT: Student Spotlight: Celebrating our Student Athletes–West Chester University of Pennsylvania–NCAA Division II National Champion, Freestyle Swimming: Georgia Wright (RESOLUTION)

UNIVERSITIES AFFECTED: West Chester University of Pennsylvania

BACKGROUND: Georgia Wright of West Chester University of Pennsylvania competed at the 2018 National Collegiate Athletic Association (NCAA) Division II Swimming and Diving Championships held in Greensboro, North Carolina. Only a sophomore, Wright won her third and fourth national titles this year, repeating both of her championship performances from a year ago, in the 1,000 and 1,650–yard freestyle events, and earning four more All-America certificates. The seven-time All-American also was named the Pennsylvania State Athletic Conference Swimmer of the Year for her season-long performance and outstanding swimmer at the PSAC Championships after winning four individual events and setting three conference records. As a team, West Chester won its 12th straight conference title this year and Interim Head Coach Steve Mazurek was named PSAC Coach of the Year.

Georgia showcased the overall quality of student-athletes in Pennsylvania’s State System of Higher Education. She is a source of pride, not only for West Chester University, but also for the State System as a whole.

COACH:

Interim Head Coach Steve Mazurek

Supporting Documents Included: N/A

Other Supporting Documents Available: N/A

Prepared by: Kathleen M. Howley

Telephone: 717-720-4200

Board of Governors Meeting

July 12, 2018

SUBJECT: Student Spotlight: Celebrating our Student Athletes–Shippensburg University of Pennsylvania–NCAA Division II National Champions, Field Hockey Team (RESOLUTION)

UNIVERSITIES AFFECTED: Shippensburg University of Pennsylvania

BACKGROUND: Shippensburg University of Pennsylvania's field hockey team posted an overall record of 17–4 during the 2017 season while playing under the direction of the National Field Hockey Coaches Association's National Coaching Staff of the Year, led by first-year Head Coach Tara Zollinger. The team completed the season with a 4–1 victory over LIU Post to win its second consecutive NCAA Division II national championship and third overall in school history. Several members of the team were named to the All-Tournament team for their play during the championship weekend as well as to All-Conference and All-America teams. Off the field, team member Madison Scarr was the 10th student-athlete from Shippensburg to be awarded an NCAA Postgraduate Scholarship. She will receive a \$7,500 scholarship to be applied toward the graduate degree of her choice. (NOTE: This marks the 24th time in 27 years a PSAC team has won the NCAA Division II field hockey championship.)

The Shippensburg University field hockey team showcased the overall quality of student-athletes in Pennsylvania's State System of Higher Education. The team is a source of pride, not only for Shippensburg University, but also for the State System as a whole.

TEAM MEMBERS:

Emily Barnard	Kylie Huffman	Jazmin Petrantonio
Autumn Beattie	Aerin Kolfoort	Madison Scarr
Rebecca Bouyea	Hailey Lockard	Brooke Sheibley
Rosalia Cappadora	Catherine Matuszko	Mary Spisak
Mikayla Cheney	Annie Megonnell	Emily Stauffer
Morgan Gantz	Ally Mooney	Caitlyn Wink
Megan Green	Rajchel Moore	Lena Witthoff
Megan Hart	Alexis Morey	Sara Womer
Molly Herigan	Maddie Parr	Lauren Zengulis

COACHES:

Head Coach Tara Zollinger
Assistant Coach Jordan Page
Assistant Coach Brittney Randolp

MANAGER:

Becca Bausinger

Supporting Documents Included: N/A

Other Supporting Documents Available: N/A

Prepared by: Kathleen M. Howley

Telephone: 717-720-4200

Board of Governors Meeting
July 12, 2018

SUBJECT: Policy Revisions (ACTION)

UNIVERSITIES AFFECTED: All

BACKGROUND: As part of the System Redesign efforts, the System is reviewing all Board of Governors policies to ensure they are appropriate in providing strategic Board oversight while streamlining processes for the universities.

As part of this review, the following fiscal and facilities management policies have been identified for revision:

- a. 1983-03-A: *Student Activity Fees.*
- b. 1983-22-A: *Use of Facilities.*
- c. 1983-24-A: *Decentralization of the Position Classification Process in the State System.*
- d. 1988-01: *Collection of Any Monies From Students.*
- e. 1993-03: *Budgetary Reporting and Review.*
- f. 1994-01: *Administration of the Keystone Recreation, Park, and Conservation Fund (Act 50 of 1993).*
- g. 1996-03: *Defining Auxiliary Enterprises and Establishing Financial Reporting Requirements (to be renamed as 1996-03-A: Defining Auxiliary Enterprises and Associated Cost Allocation).*

The attached overview provides an explanation of the recommended revisions to each policy.

MOTION: That the Board of Governors approve amendments to the following policies, as attached.

- 1983-03-A: *Student Activity Fees.*
- 1983-22-A: *Use of Facilities.*
- 1983-24-A: *Decentralization of the Position Classification Process in the State System.*
- 1988-01: *Collection of Any Monies From Students.*
- 1993-03: *Budgetary Reporting and Review.*
- 1994-01: *Administration of the Keystone Recreation, Park, and Conservation Fund (Act 50 of 1993).*
- 1996-03: *Defining Auxiliary Enterprises and Associated Cost Allocation.*

Supporting Documents Included: Overview of Proposed Policy Revisions; Board of Governors Policies 1983-03-A: *Student Activity Fees*; 1983-22-A: *Use of Facilities*; 1983-24-A: *Decentralization of the Position Classification Process in the State System*; 1988-01: *Collection of Any Monies From Students*; 1994-01: *Administration of the Keystone Recreation, Park, and Conservation Fund (Act 50 of 1993)*; and 1996-03: *Defining Auxiliary Enterprises and Establishing Financial Reporting Requirements*

Other Supporting Documents Available: N/A

Reviewed and Recommended by: University Success Committee July 2, 2018

Prepared by: James S. Dillon

Telephone: (717) 720-4100

Overview of Proposed Policy Revisions

Board of Governors Policy 1983-03-A: *Student Activity Fees*, directs the collection, expenditure, accounting, audit, budget authority, and controls of or for student activity fees. It is recommended that the policy be amended to prescribe that the accounting for student activity fees must be in accordance with the standards set by the Financial Accounting Standards Board (FASB).

Board of Governors Policy 1983-22-A: *Use of Facilities*, allows universities to charge fees for the use of facilities by outside organizations. It is recommended that the policy be amended to reflect changes to other policies, referenced in the footnotes.

Board of Governors Policy 1983-24-A: *Decentralization of the Position Classification Process in the State System*, requires universities to meet certain program standards in order to maintain local autonomy in regard to position classification. The policy remains essential to ensure consistent position classification throughout the System. However, it is recommended that section F of this policy be removed. Civil service appointments to the State System are a diminishing factor due to attrition, and all employees appointed after July 1, 1983, are classified according to the State System nonrepresented classification plan, or the appropriate classification per the applicable bargaining unit agreement.

Board of Governors Policy 1988-01: *Collection of Any Monies From Students*, prescribes that universities can collect only tuition and fees from students. It is recommended that the policy be amended to allow universities also to collect housing fees on behalf of affiliates as part of privatized housing arrangements.

Board of Governors Policy 1993-03: *Budgetary Reporting and Review*, outlines the process by which university budgets are incorporated in the System budget development process. It is recommended that the policy be amended to reflect current System nomenclature and other minor editorial changes.

Board of Governors Policy 1994-01: *Administration of the Keystone Recreation, Park, and Conservation Fund (Act 50 of 1993)*. Act 50 of 1993, which allocates a portion of the Realty Transfer Tax to the State System for deferred maintenance, was amended in Act 61 of 2011, resulting in minor changes to the reporting requirements stipulated in this policy. It is recommended that the policy be amended to reflect changes to the reporting requirements and other minor editorial changes.

Board of Governors Policy 1996-03: *Defining Auxiliary Enterprises and Establishing Financial Reporting Requirements*, defines auxiliary enterprises as self-sustaining operations, details what university operations must be deemed as auxiliary, and prescribes how costs are to be allocated to auxiliaries. It is recommended that the policy be amended to provide clarity, to specifically identify the costs that must be allocated to auxiliary enterprises, and to prescribe allocation methods for indirect costs. In addition, the policy now addresses life-cycle maintenance requirements, so that Board of Governors Policy 1990-03-A: *Finance, Operation, Maintenance, and Capital Renewal of Auxiliary Facilities* can be rescinded. It is also recommended the policy be renamed as Board of Governors Policy 1996-03-A: *Defining Auxiliary Enterprises and Associated Cost Allocation*.



PA State System of Higher Education Board of Governors

Effective June 20, 1983

Board of Governors¹ Policy 1983-03-A: *Student Activity Fees*

See Also:

Rescinds: BSCUD Policy 153.21

Adopted: June 20, 1983

Amended: January 8, 1998, [and July xx, 2018](#)

A. Definition

- **Student association**—the student organization recognized as having the authority to recommend the allocation of the activity fee to the president under the provisions of Act 188.

B. Authority to Collect Fees

Subject to policies of the Board of Governors, the authority to set and collect student activity fees rests with the presidents of the various universities in consultation with the student associations.

C. Collection

University collection. The collection of student activity fees is to be made and included in the semester or session billing, or in such other manner, including a separate and ~~discreet~~ [discrete](#) billing and collection procedure as authorized by the president.

Mandatory activity fees. Payment of the student activity fee may be mandatory, dependent upon the fee schedule approved by the president in cooperation with the student association.

The university may exercise its normal collection and penalty policies in enforcing payment of the activity fee.

D. Security of Funds

Interest. All interest, other than nominal amounts, from student activity funds invested shall be retained by the respective student association.

Security. The student association has the responsibility to assure that the deposits are properly secured and to receive such assurance from the depository in writing. Investment of funds will be made in accordance with Board of Governors¹ Policy 1986-02-A, *Investments*.

E. Allocation of Student Activity Funds

Budget process. The student activity fee budget and allocations process at each campus as adopted by the student association with the approval of the president shall be published annually. It is the responsibility of the budget committee to inform student organizations with reasonable advance notice of policies and procedures of budget requests, hearings, and appeals in writing.

Budget committee. Each campus shall have a student activity fee budget or allocations committee chosen in a manner decided upon by the student association. Members of the faculty and administrative staff may serve on this committee at the discretion of the student association, but students shall comprise at least a majority of the committee.

Budget requests. The association shall give due consideration to budget requests from organizations and activities which are officially recognized or in the process of being recognized by the student association but shall not entertain requests from other organizations.

The president may also present budget requests and recommendations to the student association.

Budget committee meetings and hearings. The privilege of attending budget committee meetings and hearings shall be granted at the discretion of the committee provided meetings at which final budget decisions are reached are open to interested students and faculty. (Sunshine Law)

Presidential veto. The president shall have the right to veto with written explanation the total budget or any line-item expenditure he/she considers to be an improper use of student activity funds. The final decision on the allocation of student activity funds rests with the president (24 P.S. § 20-2004.1-12).

F. Guidelines for Expenditures

Partisan political activity. Student activity fee monies shall not be used for any type of partisan political endorsement nor for contributions to the campaign fund of any candidate for elective office. Nothing in the foregoing shall prohibit the payment of fees to political speakers.

Noncampus and nonstudent activities. Expenditures shall be made only for university sponsored or related activities, which involve the students, faculty, or staff of the university.

Not-for-profit organizations and local governmental units. No direct contributions may be made from student activity fees for charities, not-for-profit organizations, or local governments and their units. Nothing in the foregoing shall prohibit a student association or student organizations from engaging in fund raising activities to benefit these entities.

G. Purchases

Student association purchases. A student association shall establish competitive purchasing procedures as deemed appropriate by the individual universities, which provide for a system of checks and balances and are subject to an annual audit.

Purchase approval. The governing board of the student association shall designate officers or other parties to be responsible for signing procurement authorizations and the authorization of payments in accordance with a system of appropriate internal controls. In addition, the university president may designate an individual to provide administrative review and endorse such documents without actually committing the student association or disbursing funds. Neither the university president nor any university or Commonwealth officer or employee may sign checks, notes, purchase orders, other obligations, or contracts for or on behalf of the student association.

H. Internal Control

Subject to the approval of the president, an accounting system that provides for sound internal control and a detailed audit trail shall be established.

Accounting criteria. Except as otherwise provided, the criteria and principles of the generally accepted accounting principles (GAAP) ~~for colleges and universities or other standards approved by the Board of Governors~~ as prescribed by the Financial Accounting Standards Board (FASB) shall be used.

Oversight. If, in the opinion of the university president, the student association's administration of activity fee revenue is conducted in a manner contrary to this policy, or in other inappropriate way, the president may appoint a university administrator to act temporarily in a direct oversight capacity to restore proper administration.

I. External Control

Student association audit. Each student association shall provide for an annual audit of its accounts by an independent certified public accountant, a copy of which, along with internal control reviews and management letters, shall be provided to the president.

The president may require that a special audit of the activity fee accounts be performed by an independent certified public accountant, internal auditor, or other university employees (24 P.S. § 20-2004.1-12).

J. Summer Sessions

Summer session activity fees. Summer session activity fees may be administered jointly with the fees from the regular school year; or they may be budgeted and administered separately in a manner agreeable to the president and the student association.



PA State System of Higher Education Board of Governors

Effective: July 1, 1983

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Policy 1983-22-A: Use of Facilities

See Also:

Adopted: June 20, 1983

Amended: April 9, 1998, [July xx, 2018](#)

A. Policy

Subject to the approval of the council of trustees, the president³ may establish reasonable rules, regulations, and fees⁴ for use of university facilities by outside organizations.

B. Effective Date

July 1, 1983.

³ Board of Governors' Policy 1991-05-A, *Delegation of Authority for Leasing State System Real Property as Lessor and Granting Easements of Licenses for use of State System Real Property*, [allows university presidents to lease real property of the State](#) requires authorization from the chancellor to lease System real property as lessor.

⁴ Board of Governors' Policy 1990-03, *Finance Operation, Maintenance, and Capital Renewal of Auxiliary Facilities*, established policy and procedures for determining appropriate fees for use of auxiliary facilities.



PA State System of Higher Education Board of Governors

Effective: July 19, 1983

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Policy 1983-24-A: Decentralization of the Position Classification Process in the State System

See Also:

Adopted: July 19, 1983

Amended: October 9, 1997 [and July XX, 2018](#)

A. Policy

Upon application to and approval of the chancellor, State System universities shall perform position classification reviews locally.

B. Program Standards and Maintenance Requirements Necessary for Local Autonomy

1. Current and accurate position descriptions.
2. Current class specifications.
3. Classification Grievance Digest and Updates.
4. Current university organizational charts.
5. Written technical evaluations prepared and retained for specific positions reviewed.
6. Out-of-class assignments controlled, monitored, and reviewed.
7. Ongoing review system position accuracy certification (PAC).
8. Grievance and appeal documentation including the management of the local steps in the grievance process.
9. Compensation survey analysis, procedures, and recommendations.
10. A plan for correcting misallocated positions.

C. Process for Gaining Decentralized Authority

1. As of July 1, 1997, all 14 universities had assumed local position classification autonomy. In the future, should conditions necessitate a request for reinstatement by a university that has lost such authority, the university's application shall be submitted by the president to the chancellor and shall include:

- a. A description of the university's ability to accomplish program standards.
 - b. A description of the university's personnel office and/or functions, which includes:
 - (1) Organization;
 - (2) Staffing; ~~and~~
 - (3) Program statements for each staff member.
 - c. Number of non-instructional positions by class.
 - d. Other documentation deemed appropriate in supporting the application.
 - e. President's review and monitoring process.
2. The application shall be reviewed and evaluated by the Office of the Chancellor.
 3. Letters of approval shall indicate requirements for continued decentralized authority. If disapproved, letters of disapproval shall cite areas of deficiency.

D. Contracted Position Classification Services

In the event a university chooses to discontinue position classification decentralized authority or if it does not continue to meet the criteria for decentralization, the services, including classification and training, shall then be managed and/or contracted through the Office of the Chancellor. (The Office of the Chancellor, State System universities, or other state agencies could provide the technical assistance.)

E. Maintenance of the Position Classification System

1. Proposed revisions to classes and/or additions/deletions to the classification structure may be initiated at the university level, but require consultation with Office of the Chancellor staff. The outcome shall be submitted by the president to the chancellor for final consideration and forwarded, if required, to the relevant approving authority (Board of Governors, or Office of Administration/Executive Branch).
2. The Office of the Chancellor shall manage a system of communicating classification standards to the State System universities.

~~**F. Application of the Position Classification Standards**~~

~~The position classification standards shall be applied uniformly to all positions, (e.g., Civil Service employees who were appointed prior to July 1, 1983, and Merit Principle employees who were appointed on or after July 1, 1983.~~



PA State System of Higher Education Board of Governors

Effective: January 19, 1988

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POLICY 1988-01-A: COLLECTION OF ANY MONIES FROM STUDENTS

See Also:

Adopted: January 19, 1988

Amended: July xx, 2018

A. Policy

The Board of Governors prohibits State System universities from collecting any monies from students through the official billing procedure other than the tuition set by the Board or fees approved by the university council of trustees and/or president, and housing fees charged by affiliates as part of privatized housing arrangements.



PA State System of Higher Education Board of Governors

Effective: July 15, 1993

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Policy 1993-03: *Budgetary Reporting and Review*

See Also:

Adopted: July 15, 1993

Amended: [July xx, 2018](#)

A. Statute

In the area of budgetary reporting and review, Act 188 of 1982 states that the Board of Governors shall “coordinate, review, amend, and approve ... the annual operating budgets of the individual institutions, and the operating budget of the chancellor and the Board.” (§ 20-2006-A(7)).

B. Purpose

The purpose of this policy is to provide a framework for university budgetary reporting and Board review and, by so doing, conform the practice of the Board with the intent of Act 188. Specifically, the policy provides for a yearly review and approval mechanism for the operating budgets of each university and the budget of the Office of the Chancellor and Board of Governors. This review will be an integral part of the Board’s review and adoption of the State System’s appropriation request for the ensuing fiscal year.

C. Procedure

1. Each university and the Office of the Chancellor shall submit operating budgets and such supporting information as may be specified by the chancellor to the Division of ~~Finance and~~ Administration ~~and Finance~~, Office of the Chancellor. The frequency of submission, timing, format, and mode of reporting will be established by the chancellor.
2. Budgetary submissions shall include, at minimum, revenue, expenditure, and supporting data for the prior fiscal year, current fiscal year, and the request fiscal year.
3. The ~~original~~ submission, to be forwarded to the chancellor’s office, shall be shared in summary form with the Board.

4. The Board's review of the budgets shall include assumptions for tuition rates and associated revenue, appropriations, and other sources of revenue, as well as expenditure projections for the future fiscal year.
5. The Board shall formally approve the ~~future fiscal year budgetary submission~~ annual operating budget submission of each university. The chancellor shall notify each president of the Board's action, including any amendments or comments.
6. The approved budgetary submissions, including any amendments adopted by the Board, shall form the basis for the State System's appropriation request, which is submitted to the Executive Branch and General Assembly in accordance with the provisions of Act 188 and Article VI of the Administrative Code of 1929.



PA State System of Higher Education Board of Governors

Effective: October 20, 1994

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Policy 1994-01-A: Administration of the Keystone Recreation, Park, and Conservation Fund (Act 50 of 1993)

See Also:

Adopted: October 20, 1994

Amended: July xx, 2018

A. Policy

On behalf of the Board of Governors, the chancellor shall administer the funds provided by Act 50 of 1993 for deferred maintenance, allocating the funds received proportionately according to the plant operations and maintenance component of the System's allocation formula. ~~Annually, by October 15th of each year, the~~ State System universities shall report monies expended and encumbered from the allocated funds for deferred maintenance projects from the previous fiscal year to the Office of the Chancellor, who will prepare and post the annual report per Act 50 of 1993 as amended. Maintenance projects undertaken with funding provided from Act 50 of 1993 shall be administered in accordance with provisions of the Act, implementing rules and regulations, and applicable State System policies and procedures.

B. Background

Act 50 of 1993, known as the Keystone Recreation, Park, and Conservation Fund Act (hereinafter called the Fund), allocates 18% percent of the realty transfer tax revenues allotted to the Fund to the State System ~~of Higher Education~~ for use for deferred maintenance projects. This funding is provided to supplement the monies allocated by the State System institutions from their annual education and general appropriations and tuition revenues.

C. Purpose

This policy assigns authority and responsibilities for administering the applicable provisions of Act 50 of 1993 ~~and establishes responsibilities and procedures for implementing the program~~ within the State System ~~of Higher Education.~~

D. Definitions

The definitions applicable to this policy are as contained in Act 50 of 1993 and the implementing rules and regulations.

E. Procedures

- ~~1. **Project Identification**—State System universities shall determine the deferred maintenance projects, as defined in implementing regulations, to be accomplished by the funding annually from the Keystone Recreation, Park, and Conservation Fund Act.~~
- ~~2. **Allocation of Funds Received**—The Office of the Chancellor shall allocate the monies received from the Fund proportionately according to the plant operations and maintenance component of the State System allocation formula, as received.~~
- ~~3. **Report of Expenditures**—By October 15th annually, the State System universities shall report to the chancellor the monies expended from the funds received in the prior fiscal year for each project. The report should note separately the funds expended for administrative expenses that are limited by Act 50 of 1993 to 5% percent of the funding received. The report should identify the project title that identifies the type of work accomplished, the total project cost, and the amount expended in the previous fiscal year. In accordance with the provisions of the Act, the chancellor shall submit an annual report to the governor and general assembly of projects and services provided by funding from Act 1993-50.~~



PA State System of Higher Education Board of Governors

Effective: July 1, 1996

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POLICY 1996-03-A: DEFINING AUXILIARY ENTERPRISES AND ~~ESTABLISHING FINANCIAL REPORTING REQUIREMENTS~~ ASSOCIATED COST ALLOCATION

See Also:

Adopted: April 18, 1996
Amended: July xx, 2018

A. **Policy Purpose**

Auxiliary enterprises are university operations that furnish goods or services to students, faculty, or staff, where a fee is charged directly to the users to cover the costs of providing the goods or services. This policy further defines auxiliary enterprises and provides direction regarding expense allocations and revenue sources, including associated fees.

~~An auxiliary enterprise is an operation that exists to furnish goods or services to students, faculty, or staff, and charges a fee directly to the users that is intended to cover the costs of providing the goods or services. The operation must be designed to be self-supporting and the application of the definition must be consistent from year to year. Once an operation is deemed auxiliary in nature for financial statement purposes, the annual profitability of the operation must not be a factor for inclusion or exclusion on the university's audited financial statements. Activity related to residence halls, food service, student centers, and student recreational centers (as it relates to the building and its operating expenses) must be considered auxiliary enterprises. For accounting purposes, health centers will not be reflected as auxiliary enterprises; universities are not precluded from charging a fee directly to the users of health centers to cover the costs of providing these services.~~

B. **Procedures Definition**

Auxiliary Enterprises: Self-supporting operations of the university that exist to furnish a service to students, faculty, or staff, other institutional departments, or incidentally to the general public, and that charge a fee that is directly related to, although not necessarily equal to, the cost of the goods or services. The following must be designated as auxiliary enterprises:

- Residence halls.
- Food service operations.

- Student unions and student centers.
- Student recreational centers.

Other operations may be designated as auxiliary enterprises, as appropriate. For accounting purposes, health centers will not be reflected as auxiliary enterprises, but universities are not precluded from charging a fee directly to the users of health centers to cover the costs of providing these services.

Life-Cycle Maintenance Requirements: An annualized cost analysis that predicts and models the deterioration of building systems and includes the need for routine maintenance, component repair or replacement, and renovation and renewal over the facility's useful life. Planning, funding, and execution of the least-cost life-cycle maintenance requirements allows resources to be optimized over the life of the facility.

- ~~1. Expenditures for all indirect costs must be allocated to the auxiliary enterprises. Such allocation may be based upon estimates of usage levels. Allocations of expenditures related to university-wide services, such as computer usage, telephone, central duplicating, postage, etc., shall be made to the extent considered practicable based on estimates or actual volume of usage.~~
- ~~2. Auxiliary enterprises will be viewed and operated as service centers. These service centers will have both direct costs (e.g., personnel) and indirect costs (e.g., purchasing, accounting services, grounds keeping, maintenance/custodial services) associated with their operation. These service centers will be required to fund these costs either by generating income as a result of their own function or by charging a fair and equitable fee for the use of auxiliary enterprise facilities.~~
- ~~3. All expenses associated with the operation of these service centers will be recorded as auxiliary enterprise activity for financial statement purposes. Revenue generated as a result of their own operation or from fees charged to related entities (e.g., student government associations, foundations) for the use of the building will be recorded directly as auxiliary enterprise activity. A charge to the university's educational and general budget for use of an auxiliary enterprise building for educational and general purposes (e.g., instruction) will be accounted for as a charge back for service.~~
- ~~4. Ownership of capital assets for auxiliary enterprises, as defined under the scope of this policy, will be recorded as university-owned assets on the university's books.~~

C. Effective Date Policy

~~July 1, 1996.~~

- Auxiliary enterprises must be self-supporting.

The full cost of operations, including related costs of operating and maintaining auxiliary plant and of administration, must be covered with revenue generated by the enterprise, and not with tuition or appropriation revenue. Once an operation is deemed auxiliary in nature for financial statement purposes, the annual

profitability of the operation must not be a factor for inclusion or exclusion as an auxiliary operation on the university's audited financial statements.

2. Universities must charge each auxiliary operation for its related direct and indirect costs, whether charged directly as expenses or allocated as a proportionate share of costs of other departments or units, including:
 - a. Personnel, including accounting, purchasing, information technology, maintenance and grounds, etc.
 - b. Supplies and services, including utilities, phone services, technology services, etc.
 - c. Capital expenditures.
 - d. Interest expense.
 - e. Annual debt principal payments.
 - f. Unfunded pension, postretirement healthcare, and compensated absences liabilities. (The annual associated expenses of the unfunded liabilities are excluded when determining whether or not the operation is self-sustaining.)

3. The allocation of indirect costs should be based upon best estimates of usage. If usage cannot reasonably be measured, the allocation should be based upon square footage, number of personnel, or another measure that best approximates usage.

4. Revenue generated from auxiliary operations, including interest income, shall be recorded as auxiliary revenue. Auxiliaries may charge related entities (e.g., student government associations, foundations) and the university's educational and general operations for the use of buildings or for other services rendered.

5. Fees charged shall include adequate funding for a life-cycle reserve in the amounts necessary to fund projected life-cycle maintenance requirements for capital renewal, replacement, repairs, and maintenance of the auxiliary facilities as required.

6. Construction of parking garages shall not be funded by tuition or appropriation revenue.

D. Effective Date

July 1, 1996.

Board of Governors Meeting

July 12, 2018

SUBJECT: Policy Rescissions (ACTION)

UNIVERSITIES AFFECTED: All

BACKGROUND: As part of the ongoing review of Board of Governors policies to ensure continued relevance and flexibility in support of university administrative operations—and in alignment with the System Redesign—the following Board policies have been determined to be redundant or no longer necessary, and are recommended for rescission.

- a. 1986-03: *Waiver of Tuition Differential.*
- b. 1990-03-A: *Finance, Operation, Maintenance, and Capital Renewal of Auxiliary Facilities.*
- c. 1998-02: *Human Resources Complement Management.*

The attached overview provides an explanation for why each policy is no longer necessary.

MOTION: That the Board of Governors approve the rescission of the following Board of Governors policies, effective immediately.

- 1986-03: *Waiver of Tuition Differential.*
1990-03-A: *Finance, Operation, Maintenance, and Capital Renewal of Auxiliary Facilities.*
1998-02: *Human Resources Complement Management.*

Supporting Documents Included: Overview of Proposed Policy Rescissions; Board of Governors Policies 1986-03: *Waiver of Tuition Differential*; 1990-03-A: *Finance, Operation, Maintenance, and Capital Renewal of Auxiliary Facilities*; and 1998-02: *Human Resources Complement Management*

Other Supporting Documents Available: N/A

Reviewed and Recommended by: University Success Committee, July 2, 2018

Prepared by: James S. Dillon

Telephone: (717) 720-4100

Overview of Institutional Aid Policies Proposed for Rescission

Board of Governors Policy 1984-08-A: *Board of Governors Scholars Program*, authorizes universities to waive basic fees and tuition on a limited basis in order to serve the needs and best interests of the university and its undergraduate resident students and to support specific enrollment goals. Policy 1999-02-A: *Tuition*, as amended, creates a new strategic pricing policy giving universities the flexibility to employ university-based net price and net revenue strategies, so that the Board of Governors Scholars Program Policy will no longer be necessary. Therefore, it is recommended that this policy be rescinded.

Board of Governors Policy 1996-01-A: *Sources of Funding for University Scholarships*, provides flexibility for universities to award institutional scholarships from unrestricted funds. Policy 1999-02-A: *Tuition*, as amended, creates a new strategic pricing policy giving universities the flexibility to employ university-based net price and net revenue strategies, and includes the options covered by this policy, making it redundant. Therefore, it is recommended that this policy be rescinded.



PA State System of Higher Education Board of Governors

Effective: January 21, 1986

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POLICY 1986-03-R: WAIVER OF TUITION DIFFERENTIAL

See Also:

Adopted: January 21, 1986

Amended:

Rescinded: July xx, 2018

A. ~~Policy~~

~~Effective Fall Semester 1986, the Board of Governors approves waiver of the tuition differential for non-resident dependent children of Pennsylvanians officially listed by the U.S. Defense Department as "missing in action" or "killed in action" in the Vietnam War.~~



PA State System of Higher Education Board of Governors

Effective: April 19, 1990

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POLICY 1990-03-A-R: FINANCE, OPERATION, MAINTENANCE, AND CAPITAL RENEWAL OF AUXILIARY FACILITIES

See Also:

Adopted: April 19, 1990

Amended: April 9, 1998

Rescinded: July xx, 2018

~~A. Policy~~

~~Universities of the State System of Higher Education shall finance operation, maintenance, repair, renovation, and construction of State System auxiliary facilities completely from revenues, gifts, or fees charged or generated for the use of those facilities, unless otherwise specifically approved by the Board of Governors.~~

~~B. Purpose~~

~~In order to ensure continued availability of adequate facilities to support student life services on the campuses of the universities of the State System of Higher Education, a source of the financial resources required for both current operations and future repairs, renovations, or new construction must be established. Unlike the shared benefits derived by both the student and society from the education provided in the campus academic facilities, the users of the auxiliary facilities are the primary beneficiaries of the facilities housing student life activities; therefore, it is appropriate that the users of such facilities primarily bear the financial burden of current operations and maintenance as well as a fair share of the degradation of the facility occurring during their use.~~

~~The State System's enabling legislation, Act 188 of 1982, as amended by Act 77 of 1987, states in subparagraph (a) of § 20-2011-A, that:~~

~~In addition to rental fees fixed, charged, and collected in the manner provided by law from each student residing in state-owned or state-leased residential facilities at an institution for maintenance and operation of such facilities, a sum shall be fixed by the president with approval of the council of trustees and charged and collected from each such person as an additional rental fee. Such additional rental~~

~~fees shall be credited to a reserve fund for contingencies and capital replacement.~~

~~This policy extends this practice to specified auxiliary facilities.~~

~~Amortizing the cost of repairs and renovations over the life of the facility (life cycle) provides an equitable basis for assessing yearly degradation costs of that facility. Thus, fees should be established that provide revenues for current operations and maintenance of the facility, as well as the annualized life-cycle requirements to repair and restore the facility, when required.~~

~~C. Objectives~~

- ~~1. Identify the funding source that will be used for auxiliary facility requirements for the State System of Higher Education.~~
- ~~2. Provide for sustained continued operations of auxiliary facilities into the future through the appropriate and equitable funding on a fair share basis for repair, renovation, modification, and replacement of the auxiliary facilities.~~
- ~~3. Utilize available funding in the most effective manner possible by prescribing policy and procedures for operation, maintenance, repair, renovations/renewal, and/or replacement and new construction.~~

~~D. Definitions~~

- ~~• **Auxiliary Facilities**—An auxiliary facility is a facility that houses an auxiliary enterprise, which is an entity that exists to furnish goods and services to students, faculty, or staff and that charges a fee that is directly related to, although not necessarily equal to, the cost of the service. Examples are residence halls, [and] food services, student centers, and student recreational centers. Internal service departments that charge a fee for service but exist to serve the institution rather than students or staff (for example, motor pools and print shops) are not included.~~
- ~~• **Auxiliary Facility Reserve**—A reserve set aside within the Renewal and Replacement Funds' subgroup of the Plant Fund into which fees charged for future capital repairs and replacement for auxiliary facilities should be booked. (See Board of Governors Policy 1996-03: *Defining Auxiliary Enterprises and Establishing Financial Reporting Requirements.*)~~
- ~~• **Life-Cycle Maintenance**—A method for determining the optimum and least cost facility management program for routine maintenance, component repair or replacement, and renovation and renewal for each facility based on the results of a properly conducted life-cycle maintenance audit. The audit will reflect the annualized cost of performing routine maintenance, repair, or replacement of the facility components that wear out before the end of the useful life of the facility and complete renovation or replacement of the facility at the end of its useful life.~~
- ~~• **Operations and Maintenance**—The costs of providing daily use of the facility, and the minor work performed routinely on a facility, to prevent premature failure of the components used in the construction of the facility, and/or the return of failed components to useful service without complete repair or replacement of the component or a major portion thereof.~~

- ~~**Renovation/Renewal**—Rehabilitation of the entire facility or a major portion thereof, when the original facility is no longer serviceable, or reaches the end of its useful life, or is no longer usable for the intended purpose due to deterioration or excessive wear.~~
- ~~**Repair**—Restoration or replacement of major building systems or components used in construction of the entire facility, that fail or wear out before the entire facility, such as roofing systems, heating, ventilation, or air conditioning systems.~~
- ~~**Replacement**—Substitution of a new facility, when renewal/renovation of a facility is not feasible or justified, but a facility is required for continued performance of the function conducted in the facility.~~

~~E. Procedure~~

1. ~~Auxiliary facility repair/replacement and construction requirements shall be identified and placed in priority order based on a five-year planning cycle for review and update.~~
2. ~~The Office of the Chancellor shall review the five-year plan and priorities for consistency, to the extent feasible, with the five-year life-cycle maintenance plan, and the State System's long-term plans.~~
3. ~~Resources received from fees shall be expended for the annual routine operational maintenance and repair requirements to implement facilities maintenance according to the life-cycle maintenance profile as best can be accomplished within the available resources. Universities shall make every attempt to fund facility maintenance, repair, renovation, and replacement within the fees charged for the use of the auxiliary facility.~~
4. ~~Fees charged for future repairs and replacement shall be recorded in the auxiliary facility reserve in the amounts required to fund projected life-cycle requirements, to the extent possible.~~
5. ~~Liabilities for long-term debt obligations shall not be incurred without approval by the Board of Governors.~~
6. ~~Expenditures from the Auxiliary Facility Reserve shall be limited to:~~
 - a. ~~Capital repairs, replacement, renewal, and life-cycle maintenance specifically for auxiliary facilities, and new construction, if deemed appropriate by the university.~~
 - b. ~~A proportionate cost in the repair, replacement, renewal, and life-cycle maintenance of utility support systems.~~
7. ~~In order to provide adequate repair, replacement, life-cycle maintenance, and renewal of facilities and equipment, each university shall establish reserve accounts for all auxiliary facilities in addition to those required under Act 188 of 1982, as amended (revised in Act 77 of 1987) for residence halls. The auxiliary facility reserve shall be governed as follows:~~
 - a. ~~Fees shall be charged and these funds shall be placed in a designated Renewal and Replacement Fund to finance current and future repair, replacement, renewal, and life-cycle maintenance to the auxiliary facilities at each university. The fund balance shall be reported in accordance with~~

~~Board of Governors' Policy 1996-03: Defining Auxiliary Enterprises and Establishing Financial Reporting Requirements.~~

- ~~b. The annual update of the five-year plan outlined above shall include a summary of expenditures and obligations made for planned projects, and a financial summary of funds reserved for future repairs or renovations.~~
 - ~~c. Resources in the Auxiliary Facility Reserve should not normally be expended to finance new construction projects. Unless funds have been collected in anticipation of future construction requirements, adequate auxiliary facility reserves should be maintained for renovation of existing facilities, when due.~~
- ~~8. Unless otherwise specifically approved by the Board of Governors, projects undertaken for construction of new or renovation of existing facilities shall be financed and the debt service paid by the university undertaking the project. The State System of Higher Education shall assume responsibility in the event of default by an individual university.~~

~~**F. Effective Date**~~

~~April 19, 1990.~~



PA State System of Higher Education Board of Governors

Effective: July 9, 1998

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Policy 1998-02-R: *Human Resources Complement Management*

See Also:

Adopted: July 9, 1998

Amended:

Rescinded: July xx, 2018

A. Purpose

~~This policy institutionalizes the April 20, 1995, action of the Board of Governors that established a human resources complement cap and authorizes the chancellor to issue administrative guidelines that focus on effective management of the policy, while alleviating some of the current administrative burden.~~

B. Policy

~~The State System of Higher Education will operate under a human resources complement management system that contains System-wide caps on all permanent, internally-funded positions by university. The chancellor is responsible for establishing appropriate administrative guidelines and procedures, monitoring compliance, and granting relief in extraordinary circumstances. State System universities are responsible for complement management in compliance with the guidelines and procedures established by the Office of the Chancellor.~~

Board of Governors Meeting

July 12, 2018

SUBJECT: Leveraging University Strengths—Property Acquisition, Indiana University of Pennsylvania (ACTION)

UNIVERSITIES AFFECTED: Indiana University of Pennsylvania

BACKGROUND: Indiana University of Pennsylvania (IUP) requests approval to acquire a 6.8 acre parcel of land with five buildings located at 527 South 13th Street, White Township, Pennsylvania, also known as the Roumm property.

The property is adjacent to the IUP main campus and is identified for acquisition in the university's *Long Range Facilities Master Plan* dated August 2011. The plan recommended the property for acquisition in order for it to become part of a larger tract of IUP property being developed for the Allegheny Arboretum. The university has been awarded grants to help with the development of the arboretum as a publicly accessible botanical reserve used extensively as part of the university's biology/botany curriculum. The cleanup and redevelopment of this site will eliminate a major eyesore directly impacting the campus. In addition to the arboretum, the university intends to use portions of the property for parking and for its recycling program. The parcel will also provide options for the university in addressing its campus storm water management needs.

The university has conducted Phase I and Phase II Environmental Site Assessments of the property, as it has been used as a scrap yard since at least 1957. As expected, the subsurface investigation did find that the soil and groundwater have been affected by historic operations from benzo(a)pyrene, various metals, and PCBs at concentrations above residential and/or nonresidential Act 2 medium-specific concentrations. However, these issues are similar to those present on other properties owned by the university and can be managed in the university's redevelopment and intended use of the property.

The five buildings on the site total approximately 11,000 square feet, including two shop/warehouse buildings of about 5,000 square feet each and three smaller office/storage buildings of about 300, 600, and 800 square feet. Most of these buildings, if not all, will be demolished in the redevelopment effort. The property is appraised at just over \$1 million.

MOTION: That the Board of Governors approve Indiana University of Pennsylvania's acquisition of the property located at 527 South 13th Street, White Township, Pennsylvania, also known as the Roumm property.

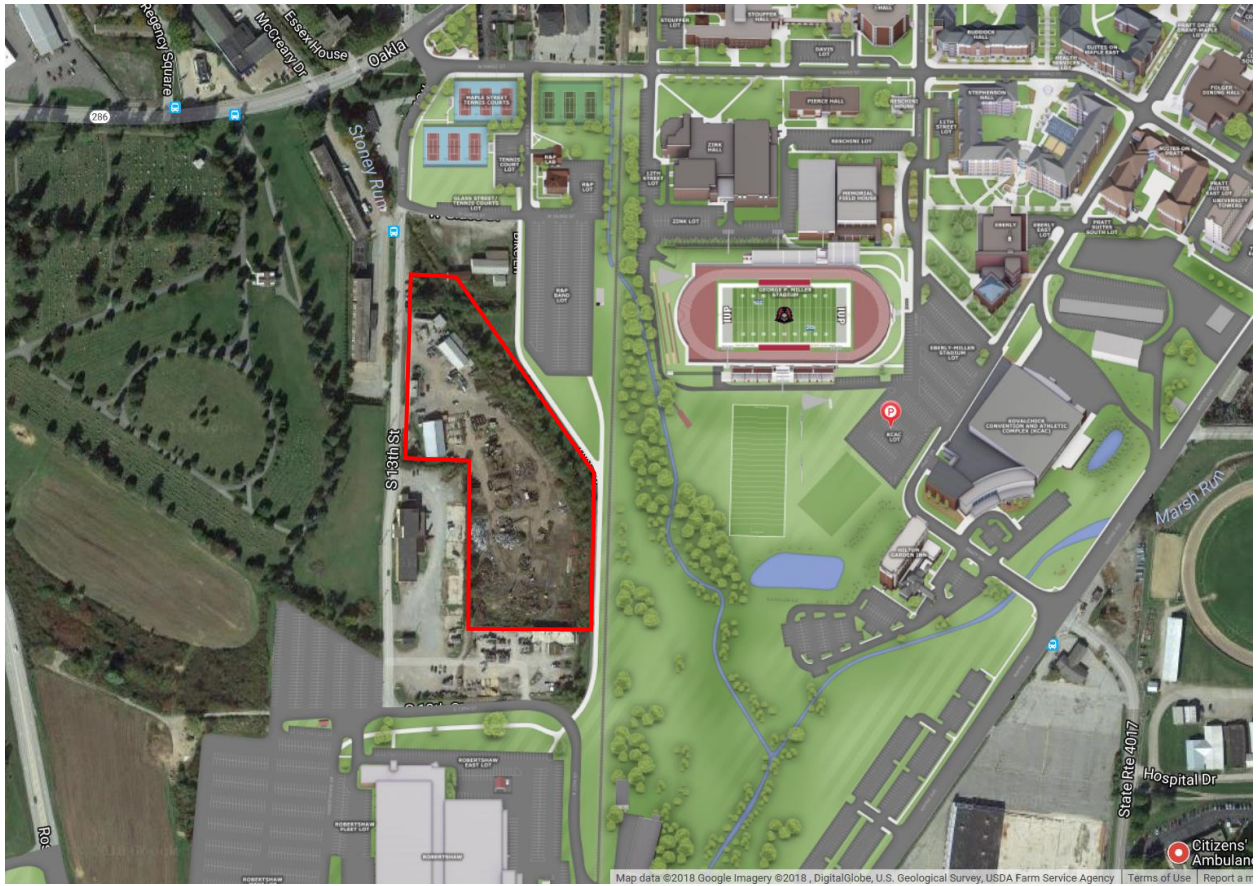
Supporting Documents Included: Property map and photos

Other Supporting Documents Available: Real property acquisition planning data

Reviewed and Recommended by: University Success Committee, July 2, 2018

Prepared by: James S. Dillon

Telephone: (717) 720-4100



Indiana University of Pennsylvania Main Campus



North Entrance, 527 South 13th Street, White Township, Pennsylvania



South Entrance, 527 South 13th Street, White Township, Pennsylvania



Yard Area, 527 South 13th Street, White Township, Pennsylvania

Board of Governors Meeting

July 12, 2018

SUBJECT: Leveraging University Strengths—Property Acquisition and Financing, West Chester University of Pennsylvania (ACTION)

UNIVERSITIES AFFECTED: West Chester University of Pennsylvania

BACKGROUND: West Chester University requests approval to acquire three parking garages constructed on campus property. The garages are located at Sharpless, New, and Matlack Streets in the Borough of West Chester and West Goshen Township. The three garages include a total of about 1,350 parking spaces.

The university initially entered into agreements with the borough in 2003, and again in 2012, with the university leasing property to the borough in exchange for the design, construction, and management of the structures. The arrangement included university reimbursement to the borough for debt service and other expenses in excess of the revenue received by the borough. The borough is now interested in divesting from the arrangement and turning the garages over to the university at cost. The outstanding debt is approximately \$12.9 million. At this time, it appears advantageous for the university to acquire the buildings using System bond financing.

MOTION: That the Board of Governors approve West Chester University's acquisition of three parking garages from West Chester Borough using System bond financing.

Supporting Documents Included: Property map and photos

Other Supporting Documents Available: Real property acquisition planning data

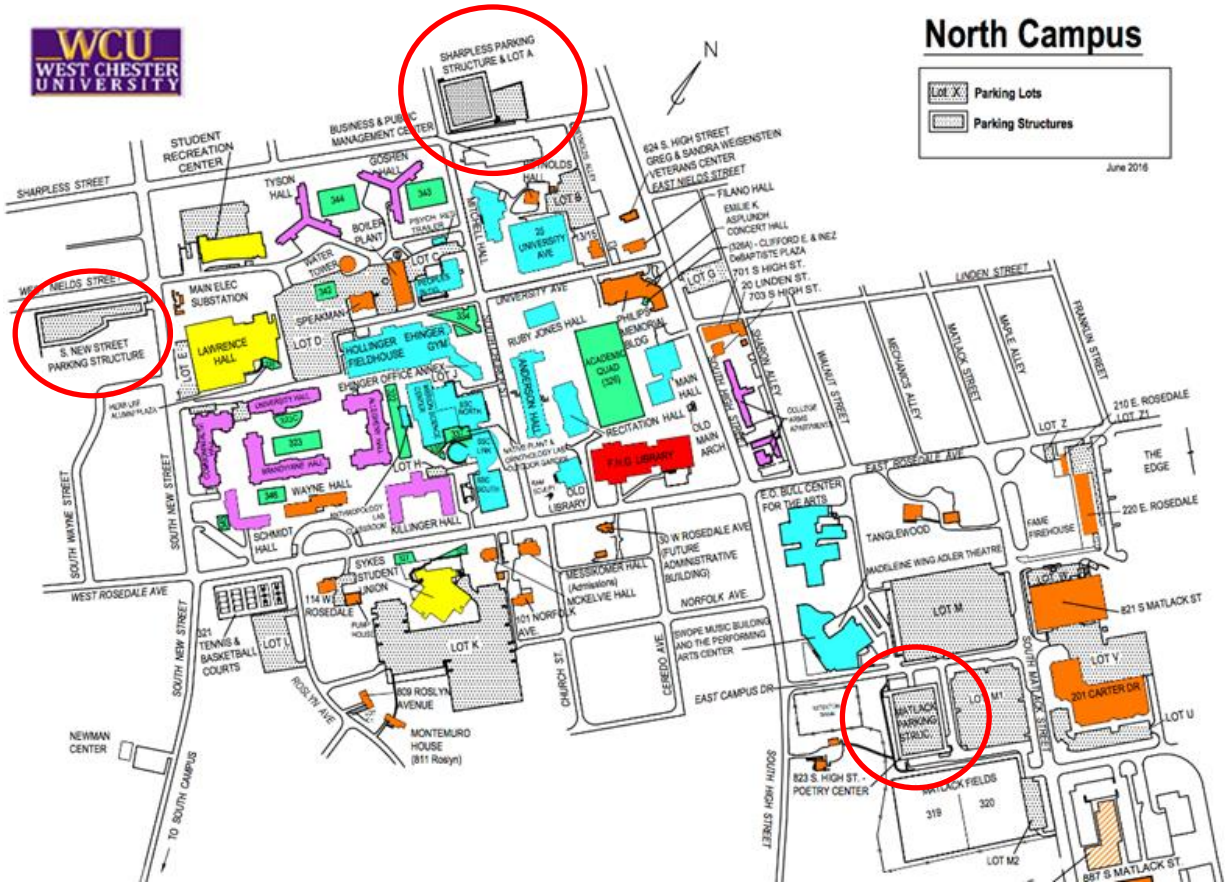
Reviewed and Recommended by: University Success Committee, July 2, 2018

Prepared by: James S. Dillon

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North Campus



West Chester University of Pennsylvania North Campus



Sharpless Street Garage, West Chester University of Pennsylvania



New Street Garage, West Chester University of Pennsylvania



Matlack Street Garage, West Chester University of Pennsylvania

Board of Governors Meeting

July 12, 2018

SUBJECT: Policy Reform for System Redesign: Revisions (ACTION)

UNIVERSITIES AFFECTED: ALL

BACKGROUND: As part of the System Redesign efforts, a review of Board of Governors policies is underway that will focus the Office of the Chancellor's role less on regulation and compliance and more on policy leadership, provide greater flexibility and efficiency for universities, and better align policies with the System's strategic priorities.

This continued review identified the following Board policies as needing revisions:

- a. 1985-01-A: *Requirements for Initiation or Change of Credit-Based Academic Programs*
- b. 1986-04-A: *Program Review*
- c. 1984-12-A: *Honorary Degrees*
- d. 1989-01-A: *University Diplomas*
- e. 1990-06-A: *Academic Degrees*

MOTION: That the Board of Governors revise the following Board of Governors policies, effective immediately:

- 1985-01-A: *Requirements for Initiation or Change of Credit-Based Academic Programs***
- 1986-04-A: *Program Review***
- 1984-12-A: *Honorary Degrees***
- 1989-01-A: *University Diplomas***
- 1990-06-A: *Academic Degrees***

Supporting Documents Included Overview of Proposed Policy Revisions: Board of Governors Policy 1985-01-A: *Requirements for Initiation or Change of Credit-Based Academic Programs*; Board of Governors Policy 1986-04-A: *Program Review*; Board of Governors Policy 1984-12-A: *Honorary Degrees*; Board of Governors Policy 1989-01-A: *University Diplomas*; Board of Governors Policy 1990-06-A: *Academic Degrees*

Other Supporting Documents Available: N/A

Reviewed by: Chief Academic Officers, Chief Student Affairs Officers, Chief Enrollment Officers, APSCUF State Meet and Discuss, Council of Presidents, and stakeholder input through the System Redesign webpage (<http://systemredesign.passhe.edu/>)

Prepared by: Kathleen M. Howley

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Overview of Proposed Board of Governors Policy Revisions

The Board of Governors affirmed an Academic Program Commitment Statement at its April 5, 2018, meeting. The statement, which is aligned with the Student Success Mission, reads as follows: *The high- value and relevant academic programs of Pennsylvania's State System of Higher Education universities prepare our students for success in their lives and careers in our global society.*

The Academic Program Commitment Statement has been added to the first two listed policies (a) Board of Governors Policy 1985-01-A: *Requirements for Initiation or Change of Credit-Based Academic Programs* and (b) Board of Governors Policy 1986-04-A: *Program Review*.

1. Board of Governors Policy 1985-01-A: *Requirements for Initiation or Change of Credit-Based Academic Programs*

BACKGROUND: This policy delegates to the chancellor the Board of Governors' authority as set forth in 24 PS 20-2006-A(a)(5) for the approval of new undergraduate and graduate degree programs. The revisions include the addition of the Academic Program Commitment Statement as well as clarification to the reactivation of programs in moratorium.

2. Board of Governors Policy 1986-04-A: *Program Review*

BACKGROUND: At its October 2016 meeting, the Board approved revisions to the Program Review policy to ensure greater alignment with the recent changes to Middle States Commission on Higher Education Standards as well as the inclusion of the definition of Program Sustainability. The Chief Academic Officers, Council of Presidents, and APSCUF State Meet and Discuss took another look at Program Sustainability both as a definition and as a process to see if there were opportunities for improvements. It was determined that in reality this is really *Program Completion Metrics* and not Program Sustainability. Program Completion Metrics is one of many criteria of program review and is now integrated in the larger Program Review process rather than as a separate standalone process. The proposed revisions to the policy include the addition of the Academic Program Commitment Statement; change from Program Sustainability Metrics to Program Completion Metrics; and clarification of the expectations for implementation.

3. Board of Governors Policy 1984-12-A: *Honorary Degrees*

BACKGROUND: This policy outlines the general criteria, procedures, and definitions of the awarding of an honorary degree. The proposed revisions include text related to compliance with state statute. In addition, proposed language provides flexibility to the universities by eliminating the need for Board approval. Each university will develop a local policy (in consultation with its Council of Trustees) to address the awarding and revocation of honorary degrees.

4. Board of Governors Policy 1989-01-A: *University Diplomas*

BACKGROUND: This policy specifies the respective State System and university information to be included on the student diploma in order to properly represent the respective degree granting authorities. The proposed revisions provide flexibility to the universities that wish to list the name of the major field of study.

5. Board of Governors Policy 1990-06-A: *Academic Degrees*

BACKGROUND: In support of the universities' efforts to be responsive to both student and market demands in their regions, the Board delegated its authority (Policy 1985-01-A: *Requirements for Initiation or Change in Credit-Based Academic Programs*) to the chancellor for the approval of new undergraduate and graduate degree programs at its January 25, 2018, meeting. In the same spirit of being supportive of universities' efforts to be responsive to their region, the proposed revision will allow the chancellor to grant exceptions to the 120 semester credit hours for new or existing baccalaureate degree programs.



PA State System of Higher Education Board of Governors

Effective: March 19, 1985

Page 1 of 3

Policy 1985-01-A: Requirements for Initiation or Change of Credit-Based Academic Programs

See Also:

Adopted: March 19, 1985

Amended: October 9, 2003, January 19, 2012, April 10, 2014, October 8, 2015, January 25, 2018, and July xx, 2018

A. Purpose

To delegate to the Chancellor the Board of Governors' authority as set forth in 24 PS 20- 2006-A(a)(5) for the approval of new undergraduate and graduate degree programs.

B. Introduction

The high-value and relevant academic programs of Pennsylvania's State System of Higher Education universities prepare our students for success in their lives and careers in our global society. This policy will ensure all new academic programs undergo a consistent, fair, and timely process to determine the need and appropriateness for the State System.

A. C. Definitions

Academic Major: Main field of study in an academic program. For baccalaureate degrees, the academic major (comprised of core and cognate courses) and general education are the two principal components of the degree. For master's degrees, the academic major (common core), concentration or specialization, and capstone experience(s) are the principal components of the degree. Academic major can be a sequence of courses, activities, and/or experiences constituting a major field of study, culminating in a credit-based degree or certificate.

Academic Minor: An organized program of study that comprises the fundamental requirements of an academic major (core and cognate courses) equivalent to a minimum of 18 semester credit hours. As a secondary field of study, the academic minor should reflect a minimum of six credits of advanced standing coursework. Exceptions to the advanced standing requirements may be granted on a case-by- case basis per request to the chancellor.

Academic Program: An instructional program leading toward a certificate, associate's, bachelor's, master's, or doctoral degree or resulting in credits that can be applied to one of these degrees.

Certificate: A formal credit-based credential designated on the academic record and awarded by an educational institution to indicate completion of an organized program of study at the postsecondary level that does not culminate in a degree. Certificates are not the same as *certifications or licenses, which* are typically awarded by third party, standard-setting bodies (not academic institutions), based on an assessment process that recognizes competencies in a

particular occupational specialty as measured against a set of standards. Certificates may be awarded at the undergraduate or graduate level.

CIP Code: The Classification of Instructional Programs (CIP) is a taxonomic coding scheme of instructional programs. Its purpose is to facilitate the organization, collection, and reporting of fields of study and program completions. The CIP is the accepted federal government statistical standard on instructional program classifications.

Concentration, Track, Specialization, or Emphasis: A program of study in a focused area within an academic program (i.e., degree program, not a minor), consisting of a minimum of 12 semester credit hours for baccalaureate degrees and a minimum of nine semester credit hours for master's degrees. Requirements for the concentration, track, specialization, or emphasis are included within the program of study for the academic major.

Degree Designation: Specific degree type, including but not limited to bachelor of arts, bachelor of science, bachelor of applied science, master of arts, master of science, master of education, doctor of education, and doctor of philosophy.

Discontinuance: Discontinued programs should have no students currently enrolled and the university has chosen not to reinstate or reorganize the program. Programs in moratorium in which no action is taken within the five-year period will be discontinued.

Moratorium: A program placed into moratorium means that students will no longer be admitted during the period of moratorium. Students currently enrolled or admitted will be allowed to complete the program. The university will assess the program's potential and either reinstate, reorganize or discontinue the program. A program shall not be in moratorium more than five years unless approved by the Office of the Chancellor.

Program Change: A change in the academic program (i.e., degree designation or award type, academic major, academic minor, concentration, track, specialization, emphasis); academic minor; **or** certificate.

Reorganization: Reorganized programs reflect curricula and/or credentials that have been significantly revised to meet new market demands or revised program accreditation requirements.

B. D. Process

The Office of the Chancellor shall, in consultation with State System universities, establish and review criteria for the initiation or change of credit-based academic programs as part of the System Standards and Procedures. The System Standards and Procedures are designed to further define or explain the policy to include procedures that ensure a consistent, fair, and timely review process to determine the need and appropriateness to the university and the State System.

- a. Academic program proposals shall be subject to action by, or notice to, the chancellor, as follows:

i. Action

New academic program, i.e., associate, bachelor, master, doctoral degree.

Reorganization of an existing approved degree program that significantly changes or affects any of the following: name of the major, CIP code, student learning outcomes of the program, change in degree designation or award type, or a change in credit length that exceeds approved policies.

Reactivation of a degree program in moratorium—A university may request a degree program be placed into moratorium for up to five years. At any time during this five-year period, a university may choose to discontinue, ~~reinstate~~ reactivate the program as previously approved, or ~~reinstate~~ reactivate as a reorganized program. Programs in moratorium being reactivated with no reorganization as outlined above require only notification to the chancellor. However, a Approval is needed if the program has been reorganized as outlined above.

ii. Notification

New concentration, track, specialization, or emphasis
New academic minor
New certificate

Conversion of any current program (associate, bachelor, master, doctoral, minor, or certificate) to online or interactive video learning modality.

Degree program, minor, track, concentration, specialization, or certificate that is placed into moratorium or discontinued.

- b. No new, reorganized, or reinstated academic program (associate's, bachelor's, master's, doctoral degree) requiring approval shall be advertised or offered until the university president receives written notice from the chancellor verifying approval.

No new minor or certificate shall be announced or implemented without confirmation of receipt of notification from the chancellor.

C. E. Appeals

The University President may appeal the Chancellor's final decision to the Student Success Committee of the Board of Governors.

D. F. Communications

The Chancellor will provide a periodic updates to the Board of Governors of all program actions and notifications.

Policy 1986-04-A: *Program Review*

Adopted: July 15, 1986

Effective: July 16, 1986

Amended: October 17, 1991, October 9, 2003, ~~and~~ October 6, 2016, and July xx, 2018

Background: The high-value and relevant academic programs of Pennsylvania's State System of Higher Education universities prepare our students for success in their lives and careers in our global society. Periodic program review is a best practice in American higher education that involves stakeholders in the continuous improvement of existing academic programs and programs in support of the student experience. Such review includes an analysis of past performance that is used to inform present and future directions and decision-making. The review process must be integrated with strategic-planning and budgeting processes, with regional and specialized accreditation processes, and with student-learning outcomes assessment. Criteria that direct the implementation of this policy can be found in the System Procedure/Standard for review of academic programs and programs in support of the student experience.

A. Definitions

1. Academic Programs. All programs defined in Board of Governor's Policy 1985-01-A: Requirements for Initiation or Change of Credit-Based Academic Programs. This includes all academic degree programs (academic majors) along with all tracks/concentrations, academic minors, and certificates.
2. Programs in Support of the Student Experience. A broad network of programs and services delivered either in-person or virtually that directly contributes to students' educational experience and fosters student success. Examples of such programs may include the library, student life, enrollment services (e.g. undergraduate admissions, graduate admissions, bursar, and registrar), public safety, judicial affairs, financial aid, counseling, athletics, residence life, Greek life, student union and student activities, health and wellness programs, career services, academic support services, diversity and inclusion programs, tutoring, advising, and disability services.
- ~~3. Academic Program Sustainability. A component of a comprehensive assessment process that uses quantitative completion data to assess the current and future sustainability of an academic program.~~
- ~~4.3. Modified Review: A modified review is for academic programs subject to specialized accreditation. The modified review shall include the accreditation report, the accreditor's recommendations/suggestions, and any criteria for the *five-year academic program review* which were not addressed in the accreditation review process.~~

B. Purposes of Program Review

1. To assure deliberate and continuous attention to enhancement of the quality and to assess mission centrality of academic and academic programs and programs in support of the student experience within State System universities.
2. To ensure compliance with regional accreditation standard related to educational effectiveness. Middle States Commission on Higher Education requires assessment of student learning and achievement for all programs, all levels, and regardless of instructional modality.
3. To ensure compliance with regional accreditation standard related to supporting the student experience. Middle States Commission on Higher Education requires assessment of all programs and services that enhance the quality of the learning environment, contribute to the educational experience, and foster student success.
4. To analyze and employ quantitative and qualitative data, including student-learning outcomes, academic program [sustainability completion metrics](#), and program effectiveness related to individual programs which will contribute to both university and State System planning.
5. To provide the chancellor and Board of Governors, as well as the council of trustees of each university, with assurance that university programs are being assessed in a systematic fashion and that plans for making continuous improvements are developed, implemented, and communicated.

C. Guidelines for Program Review

1. Cycle. All university programs not subject to specialized accreditation shall be evaluated at least once every five years; when deemed necessary, the university president (or designee) or the Chancellor (or designee) may require a shorter review interval for given programs. At least once every 10 years (or more frequently at the University's discretion), each program not subject to specialized accreditation shall be reviewed by an appropriate external evaluator. Programs with specialized accreditation will conduct a modified program review as outlined in the System Procedure/Standard for academic program review and programs in support of the student experience. Exceptions to the modified review will be given on a case-by- case basis by approval from the Chancellor or designee.
2. Criteria for Full Review of Academic Programs. In consultation with State System Universities, the Office of the Chancellor shall establish criteria for the academic program reviews. These criteria will be detailed in the System Procedure/Standard for academic program review and programs in support of the student experience.
3. Criteria for Full Review of Programs in Support of the Student Experience. Review criteria for reviews of programs in support of the student experience will be determined by the individual university. These criteria shall support the university continuous improvement efforts and Middle States accreditation requirements.

D. Reporting

1. The president or designee shall keep the council of trustees apprised of program reviews and their outcomes.
2. The Office of Academic and Student Affairs will develop an appropriate procedure and timeline for periodic reporting to the Board of Governors.

E. Implementation

Immediately for Programs in Support of the Student Experience. Academic program reviews due August 15, 2017, will continue to use previously established criteria. ~~Academic program reviews due August 15, 2018 will be required to use the new processes and criteria established in a System Standard/Procedure for Program Review.~~ Academic program reviews due August 15, 2018, may use the new processes and criteria established in this State System Standard/Procedure for Program Review. Academic program reviews due August 15, 2019, will be required to use the new processes and criteria established in this State System Standard/Procedure for Program Review.



PA State System of Higher Education Board of Governors

Effective: October 16, 1984

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Policy 1984-12-A: *Honorary Degrees*

See Also

Adopted: October 16, 1984

Amended: July 9, 1998, [and July xx, 2018](#)

A. Purpose and Scope

Subject to the regulations of the State Board of Education (22 Pa. Code §§ 31.61, 31.62, and 31.63), to provide the Board of Governors, and the respective councils of trustees, administrations, and faculties of the universities of the State System of Higher Education the general criteria, procedures, and definitions for the awarding of an honorary degree.

B. Definitions

Honorary degree designations are limited to degrees not given in course as earned degrees by any institution of postsecondary education authorized by the Commonwealth to grant such degrees, and may include but are not limited to the following:

Litt.D.	Doctor of Letters (<i>litterarum doctor, honoris causa</i>)
L.H.D.	Doctor of Humane Letters (<i>litterarum humaniorum doctor, honoris causa</i>)
LL.D.	Doctor of Laws (<i>legum doctor, honoris causa</i>)
Sc.D.	Doctor of Science (<i>scientia doctor, honoris causa</i>)
D.P.S.	Doctor of Public Service (<i>doctor beneficiorum publicorum, honoris causa</i>)
Ped.D.	Doctor of Pedagogy (<i>doctor institutionis, honoris causa</i>)

C. General Criteria/Policy

The honorary degree may be awarded to recognize distinguished service, creativity, scholarship, or other individual accomplishment in the service of humanity, whether in scientific, social, academic, creative, business, public, or other appropriate sphere.

In keeping with the regulations of the State Board of Education, honorary degrees may not be awarded to currently serving board of trustee members, administrators or faculty members except in extraordinary cases meriting special consideration. Honorary degrees should not be awarded to former trustees, administrators, or faculty members until they have been separated from the university for at least six months.

D. Policy and Procedures

- ~~a. Any university in the State System of Higher Education wishing to confer honorary degrees shall submit for Board approval any criteria and/or procedures which are additional to, but consistent with, this general policy.~~

- ~~b. Recommendations of individuals for any honorary degree should be submitted to the respective council of trustees through the president.~~

Each university, in consultation with the Council of Trustees, shall develop a policy that shall address the awarding and revocation of honorary degrees.

E. Limit

Normally, no more than two degrees may be awarded at any university in any calendar year.

F. Notice

The chancellor shall be notified at least 30 days before an honorary degree is to be awarded of the identity, qualifications, and citation to be attached to such degree.



PA State System of Higher Education Board of Governors

Effective: December 1, 1989

Page 1 of 2

Policy1989-01-A: *University Diplomas*

See Also:

Adopted: April 20, 1989

Amended: April 9, 2015; July 13, 2017; [and July xx, 2018](#)

A. Purpose

To specify the respective State System and university information to be included on student diplomas, in order to properly represent the respective degree granting authorities.

B. Definitions

University Diploma

The diploma is the ceremonial document that reflects the appropriate degree designation(s) earned by the student.

Academic Transcript

The transcript generally is considered to be the official and legal academic history of coursework and, if applicable, degree(s) earned.

Legal Name

The legal name is the name that identifies a person for legal, administrative, and other official purposes. A person's legal first name generally is the name that was given to the person for the purpose of registration of his/her birth and which then appears on a birth certificate, but may change subsequently.

Preferred Name

A preferred name is a name a person commonly uses that is different from the person's legal name. Examples: a transgendered student has the legal first name "Susan," but prefers to be called "Steve"; a student has always used his/her middle name and prefers that name to his/her first name.

C. Policy

The president and council of trustees of each university shall present a diploma design for approval. The university may use a single design for all university diplomas, or have various designs for different degree levels, schools, programs, degree designations, or certifications. The chancellor, on behalf of the Board of Governors, shall approve such designs, in accord with the established standards.

D. Standards

1. Each university shall develop its own policy as to whether the diploma bears either the full legal name or preferred name of the graduate. Any preferred name policy and associated procedures must be consistent within the university.
 - a. University academic transcripts are legal documents and, as such, must bear the full legal name of the graduate.
2. The diploma shall identify the appropriate degree designation(s) approved for the major program(s) completed by the student.

These include: Associate in Arts; Associate in Science; Associate in Applied Science; Bachelor of Arts; Bachelor of Science; Bachelor of Applied Science; Master of Arts; Master of Science; Master of Education; Doctor of Philosophy; Doctor of Education; and other such special or professional degree designations as may be approved by the Board.

3. ~~The diploma shall not identify the major field of study completed by the student, except when it is part of the degree designation (e.g., M.B.A.).~~ The diploma may identify the major field of study completed by the student.
4. The diploma shall bear Latin Honors, as appropriate (i.e., Cum Laude; Magna Cum Laude; Summa Cum Laude) at the baccalaureate level.
5. The diploma size is generally 8½ inches by 11 inches for undergraduate diplomas and either 8½ inches by 11 inches or 11 inches by 14 inches for graduate diplomas.
6. The diploma shall appropriately reflect the full statutory title of the university and of the State System of Higher Education.
7. The diploma shall bear the name, title, and signature of the following, and of no others:
 - a. Chair, Board of Governors
 - b. Chancellor
 - c. Chair, Council of Trustees
 - d. University president

E. Implementation Date

Effective ~~July 18, 2017~~ July 12, 2018



PA State System of Higher Education Board of Governors

Effective: October 18, 1990

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Policy 1990-06-A: *Academic Degrees*

See Also:

Adopted: October 18, 1990

Amended: July 18, 1991, April 11, 2002, July 22, 2010, January 19, 2012, [and July xx, 2018](#)

A. Purpose

To establish broad educational policy for the respective councils of trustees, administrators, and faculty of the universities of the State System of Higher Education, governing criteria and definitions for earned academic degrees. (The policy does not address professional certification standards or definitions, except as they may coincide with degrees.)

B. Degree Designations

An academic degree is an earned degree. Degree designations used within the State System of Higher Education may include the following:

1. Associate Degrees: Associate degrees indicate that the holder has developed proficiencies sufficient to prepare for advanced¹ collegiate work or to enter directly into a specific occupation. Associate degrees are awarded only for completion of a coherent program of study designed for a specific purpose. They reflect satisfactory achievement of a minimum of 60 semester hours of credit, in two parts: a general education component, and an area of concentration or major component. General education requirements should be consistent with the Statewide Transfer Credit Framework.
 - a. Associate in Arts (A.A.): An Associate in Arts degree program is designed primarily for transfer into baccalaureate degree programs in the arts, humanities, social or behavioral science fields, or in professional fields based upon these disciplines. The general education component of Associate in Arts degrees comprises at least 30 semester credit hours.
 - b. Associate in Science (A.S.): An Associate in Science degree program is designed primarily for transfer into baccalaureate degree programs in one of the mathematical, biological, or physical sciences, or into one of the professional fields with these disciplines as its base. The general education component for Associate in Science degrees comprises no less than 24 semester credit hours.
 - c. Associate in Applied Science (A.A.S.): An Associate in Applied Science Degree program is primarily designed to prepare students for immediate employment or career entry. The general education component for Associate in Applied Science degrees includes no less than 21 semester credit hours.

- d. Other Associate Degrees: Specialized associate degrees may be authorized within certain professions; some are career entry, and others lead to transfer. Examples include the Associate in Science of Nursing (A.S.N.), and Associate in Engineering Technology (A.E.T.). The general education component for these degrees should include no less than 21 semester credit hours.
2. Baccalaureate Degrees: Baccalaureate degrees require 120 semester credit hours unless (1) otherwise required by statute, regulation, or accreditation, and (2) approval ~~by the Board of Governors, upon recommendation of the chancellor.~~ by the chancellor. Baccalaureate degrees consist of two principal components, general education and study in depth in a major, which taken together, are designed to prepare the student for a productive career, involved citizenship, and continuous growth:
 - a. General education consists of a broad program of study in the liberal arts and sciences, such that at least 40 semester credit hours are focused on competencies consistent with the liberal education learning outcomes as defined in Policy 1993-01: *General Education at State System of Higher Education Universities*. These competencies are typically met through study in the areas of humanities, fine arts, communication, social and behavioral sciences, mathematics, and the natural/physical sciences. In addition, general education requirements should be consistent with distribution requirements of the statewide Transfer Credit Framework. Transfer credits up to 30 semester hours will be applied to the general education requirement assuming the courses meet the standards of the Transfer Credit Framework and are designated as equivalent through identification of comparable competencies attained by students. Certain majors have specific requirements prescribed by external agencies that may pertain to general education requirements.
 - b. The program for the major consists of at least 30 semester credit hours and provides depth of knowledge in an academic disciplinary or interdisciplinary program.
 - c. The remainder of the curriculum may consist of coursework related to the major, advanced coursework (see endnote) in the liberal arts and sciences, or electives. At least 42 semester credit hours must consist of advanced coursework.

Note: Definitions of advanced coursework are institutional, and may or may not be inherent in course numbers. The object is to ensure that a significant portion of a student's studies prepare the student to develop advanced competencies requiring depth of knowledge of the discipline. During program review, the program unit is expected to review its curriculum against this general standard. Programs that have articulation agreements with community colleges or other entities must demonstrate that articulated courses approved to meet this standard address the acquisition of advanced competencies with adequate depth and academic rigor; and if so, these courses can be applied toward this requirement.

- (1.) Bachelor of Arts (B.A.): The Bachelor of Arts degree is the common degree in the arts and humanities, typically offered through the liberal arts and sciences. Bachelor of Arts degrees emphasize breadth and depth of study, and encourage aesthetic,

ethical, and intercultural inquiry. The major program should not exceed 42 semester credit hours, including required cognate courses, unless approved by the chancellor. Cognate courses are those courses in related disciplines required for the major. For example, a major in sociology might require a cognate course in social psychology taught through Psychology.

- (2.) Bachelor of Science (B.S.): The Bachelor of Science degree is the common degree in mathematics, the natural sciences, and many of the behavioral and social sciences. The Bachelor of Science degree generally represents a more structured major program, and more direct orientation toward professional preparation than the Bachelor of Arts degree. The courses required by the major, including required cognate courses in related disciplines, must comprise at least 40 semester credit hours but no more than 60 semester credit hours, unless approved by the chancellor. Cognate courses are those courses in related disciplines required for the major. For example, a major in biology might require a cognate course in biochemistry taught through Chemistry.
- (3.) Professional Baccalaureate Degrees: Professional degrees may be approved and granted in certain professional fields, and may reflect standards of professional societies or accrediting agencies as well as requirements of the university. The general education component may be specifically adapted to the profession, but must be consistent with the competencies appropriate for all students at the institution.

Only a limited number of professional baccalaureate degrees will be recognized. These include Bachelor of Fine Arts (B.F.A.), Bachelor of Music (B.Mus. or B.M.), Bachelor of Science in Nursing (B.S.N.), Bachelor of Social Work (B.S.W.), Bachelor of Science in Business Administration (B.S.B.A) and the Bachelor of Science in Education (B.S.Ed.). No other degree designations may be used unless approved by the chancellor.

3. Master's Degrees: Master's degrees represent advanced study beyond the baccalaureate degree and signify mastery in a discipline or professional field. A master's program requires a minimum of 30 semester credit hours and usually includes three basic components: (a) a common core of courses related to the discipline or field of study; (b) a concentration or specialization in a focused area of the discipline; and (c) cognate courses which broaden perspective or mastery, or provide special skills such as statistics or foreign language. Master's degree programs will also be required to demonstrate that all students have participated in a culminating experience. This requirement may be met through a thesis, research project, or comprehensive examination, or in some cases this requirement can be met through integrative experiences, such as practica, internships, and other field work that synthesize theory and practice. At least 50 percent of coursework (excluding thesis, research or internship hours) to complete a master's degree must be identified as primarily directed at graduate students with the majority of students in the course obtaining graduate credits.

Master's degrees include:

Master of Arts (M.A.)

Master of Liberal Arts (M.L.A.)

Master of Science (M.S.)

Master of Business Administration (M.B.A.)
Master of Fine Arts (M.F.A.)
Master of Physical Therapy (M.P.T.)
Master of Public Administration (M.P.A.)
Master of Science in Library Science (M.S.L.S.)
Master of Science in Nursing (M.S.N.)
Master of Social Work (M.S.W.)
Professional Science Masters (P.S.M.)

Master of Education (M.Ed.), or Master of Science in Education (M.S.Ed.)

The Master of Education (M.Ed.) degree is intended for the person who has been working within the preK-12 environment and desires to acquire advanced or updated knowledge within the discipline, human development, assessment and/or pedagogy.

Master of Arts in Teaching (M.A.T.)

The Master of Arts in Teaching (M.A.T.) degree is intended for the person with expertise in a discipline (e.g., chemistry or history or music) who needs to develop the skills and strategies to convey an understanding of the discipline to children and adolescents within the preK-12 context.

4. Educational Specialist (Ed.S.): The Educational Specialist degree is intended for the person who requires advanced knowledge of research and practice in selected specialty fields in education and such programs are grounded in extensive field work to develop the appropriate level of clinical practice. The educational specialist degree provides focused study beyond the master's level and is designed to develop skills in special areas of professional practice. For certain areas it may be considered a terminal professional practice degree and not all Ed.S. coursework is compatible with doctoral study. As this degree typically represents advanced study, all of the coursework should be designed for graduate students with backgrounds in related areas of study.
5. Doctoral Degrees: The doctorate is the highest academic degree awarded in American higher education and is of two general types: the Doctor of Philosophy (Ph.D.) and the Professional Doctorate. Though the primary distinction is that the Ph.D. is a research degree and professional degrees are applied degrees, most doctoral programs include both research and applied studies. The doctoral program usually follows completion of a master's degree, except in some fields where admission after the baccalaureate degree is permitted or encouraged. The common components of a doctoral program include a core of increasingly advanced subject-area studies, culminating in seminars involving research. Research skills necessary for such studies, e.g., foreign languages, statistics, or computing, and/or internships or practica in applied fields should be required. Culminating experiences such as comprehensive examinations and a dissertation are required.

The Doctor of Philosophy is offered only through Indiana University of Pennsylvania (IUP); jointly in cooperation with IUP; or jointly with another institution approved to offer Ph.D. degrees assuming approval by the chancellor. The number of hours beyond the baccalaureate degree (including dissertation hours) required for the Doctor of Philosophy degree must meet the typical expectations of the discipline unless approved by the chancellor.

C. Implementation

All new degree programs submitted for approval after August 10, 2010, must comply with the above definitions, and all previously approved programs must be in such compliance by conclusion of the next program review cycle after July 1, 2012, with all programs in compliance by August 1, 2015. The chancellor has the responsibility to take action to ensure compliance with this document.

¹ Advanced coursework in this context usually refers to courses with advanced depth of content knowledge in the field and carry the expectation of more complex competencies identified in the expected student learning outcomes. These courses often have prerequisites and are usually beyond the “Introduction to...” level. Most courses with at least two prerequisites will be “advanced.” The complexity of competencies is often reflected in the higher levels of understanding, analysis, synthesis and application of content to novel situations (see various models rooted in concepts similar to Bloom’s taxonomy). Thus, whereas an introductory or foundational knowledge course might use learning outcomes framed as “demonstrate familiarity with” or “demonstrate knowledge of”; advanced level courses might use: “demonstrate ability to critically analyze and synthesize” or “ability to apply content knowledge to novel situations.” Some disciplines use the model of three levels of “introductory,” “intermediate” and “advanced.” In this case, courses labeled as “intermediate” as a second of a two course sequence providing basic or foundational content knowledge in a discipline would likely not meet the definition of “advanced” as used here but that is to be determined on a course by course basis.

Board of Governors Meeting

July 12, 2018

SUBJECT: Policy Reform for System Redesign: Rescission (ACTION)

UNIVERSITIES AFFECTED: ALL

BACKGROUND: As part of the System Redesign efforts, a review of Board of Governors policies is underway that will focus the Office of the Chancellor's role less on regulation and compliance and more on policy leadership, provide greater flexibility and efficiency for universities, and better align policies with the System's strategic priorities.

This continued review identified the following Board policy as outdated and obsolete and recommended for rescission:

1. Policy 1984-09-A: *Student Affairs Manuals*

Rationale: The availability of information for students and university employees is readily available and communicated real-time via student portals, social media, the university website, and other 21st century communications. The establishment of policies and procedures related to room and board and other fees; student activity fees; use of facilities; off-campus housing; student disciplinary due process requirements; and other such matters are thoroughly handled in discrete board policies, related System standards and regulations. Finally, the Council of Presidents adopted a Core High School Curriculum for Regular Admission to PASSHE Institutions in October of 2009 (shared via presentation at the January 13/14, 2010 Board of Governors meeting).

MOTION: That the Board of Governors rescind the following Board of Governors policy, effective immediately:

1984-09-A: *Student Affairs Manuals*

Supporting Documents Included Board of Governors Policy 1984-09-A: *Student Affairs Manuals*

Other Supporting Documents Available: N/A

Reviewed by: Chief Student Affairs Officers, Chief Academic Officers, Council of Presidents, State College and University Professionals Association (SCUPA), and stakeholder input through the System Redesign webpage (<http://systemredesign.passhe.edu/>)

Prepared by: Kathleen M. Howley

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PA State System of Higher Education Board of Governors

Effective: September 18, 1984

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Policy 1984-09-~~AR~~: Student Affairs Manuals

See Also:

Adopted: September 18, 1984

Amended: July 9, 1998

Rescinded: July, 2018

f. ~~Background~~

~~In the area of student affairs, Act 188 of 1982 states that the Board of Governors shall "establish general policies for the admission of students and to assure procedural protection for the discipline and expulsion of students. The actual admission of students shall remain the province of the individual institutions." Additionally, the Board of Governors shall "adopt general policies with regard to student activity fees and to provide for student participation in the formulation of these policies."~~

~~Act 188 establishes the following responsibilities for the council of trustees:~~

- ~~a. Review and approval of the recommendations of the president as to standards for the admission, discipline, and expulsion of students.~~
- ~~b. Review and approval of the recommendations of the president pertaining to policies and procedures governing the use of facilities and property.~~
- ~~c. Review and approval of charges for room and board and other fees except student activity fees.~~

~~Parallel responsibilities are established for the president:~~

- ~~d. To establish policies and procedures for the admissions, discipline, and expulsion of students which shall be consistent with policies of the board and the local council.~~
- ~~e. To establish policies and procedures governing the use of institutional facilities and property in accordance with guidelines established by the local council.~~
- ~~f. In cooperation with the student association, to fix student activity fees and supervise the collection, retention, and expenditure thereof.~~

g. Purpose

~~The purpose of a student affairs manual is to provide guidance and clarification for administrators, faculty, students, and the student association about issues such as discipline, student association budgets, off-campus housing, and fiscal responsibility.~~

h. Policy

~~The Board of Governors believes that each university must determine its own policies on student affairs within the parameters of Act 188 and subject to the broad policy established by the Board and presented in this statement. Such university policies should be set forth in a student affairs manual prepared by each university.~~

~~Each university is encouraged to develop a document that establishes a positive tone for responsibilities and interactions. Policy statements that address restrictive activities or practices do not generally encourage growth and active student participation in self-governance.~~

~~The Board of Governors recognizes the significant role that the student association continues to play on each campus. The student affairs manual should address the role of the officially recognized representative body of the student population and its relationship to the local administration.~~

i. Content

~~The manual should state clearly the university's policy on non-discrimination and affirmative action in all areas of funding, employment, and housing. Additionally, the manual should contain the normal disclaimer that the policies stated in it do not create a cause of action against the State System of Higher Education, the Board of Governors, the chancellor, an individual president or university, or any other officer, agency, agent, or employee of the State System of Higher Education.~~

~~Two items not specifically mentioned in Act 188 should be addressed in each student affairs manual:~~

- ~~a. **Partisan Political Activity.** Student activity fee monies shall not be used for any type of partisan political endorsement or for contributions to the campaign fund of any candidate for elective office. Nothing in the foregoing shall prohibit the payment of speakers' fees to political figures.~~
- ~~b. **Off-Campus Housing.** Any off-campus housing listing shall carry the disclaimer approved by legal counsel stating that the institution assumes no responsibility for the condition of the off-campus housing or the safety or well-being of the residents who live in off-campus housing.~~

~~j.~~ **Procedure**

~~The student affairs manual should be developed with advice from students, student government, administrators, and faculty. The final document shall be approved by the council of trustees (§ 2009-A (11)) and then submitted to the chancellor and Board of Governors for purposes of review and information.~~

~~k.~~ **Evaluation**

~~The Board of Governors reserves the right and responsibility to subject this policy and its implementation to periodic review.~~

Board of Governors Meeting
July 12, 2018

SUBJECT: Fiscal Year 2018/19 Budget and Staffing Level for Compliance and Office of Internal Audit and Risk Assessment (ACTION)

BACKGROUND: Board of Governors Policy 1991-06-A: *State System Audit Policy*, places authority with the Audit and Compliance Committee to approve the Office of Internal Audit and Risk Assessment's (OIARA) annual budget and staffing level. The division's cost is to be funded as a direct Board of Governors' expense to the legislative appropriation prior to allocation, based on the System's funding formula.

While no new full-time equivalent (FTE) positions are requested, one of the seven budgeted FTE's will now support the System's anticipated development of a new State System Compliance Program rather than internal audit operations.

The proposed Compliance and Office of Internal Audit and Risk Assessment fiscal year 2018/19 budget is presented at \$1,018,439 with staffing of seven FTE. The proposed staffing level of seven FTE remains consistent with the prior year.

MOTION: That the Board of Governors Audit and Compliance Committee approve the Compliance and Office of Internal Audit and Risk Assessment fiscal year 2018/19 budget of \$1,018,439 and staffing level of seven FTE.

Supporting Documents Included: Compliance and Office of Internal Audit and Risk Assessment Budget and Staffing Level Summary

Other Supporting Documents Available: Board of Governors Policy 1991-06-A: *State System Audit Policy*

Reviewed by: Samuel H. Smith and Peter H. Garland

Prepared by: Dean A. Weber

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**Compliance and Office of Internal Audit and Risk Assessment (OIARA)
Budget and Staffing Level Summary**

**Compliance and OIARA
Fiscal Year 2018/19 Proposed Budget**

	Approved	Requested	Dollar	Percent
PERSONNEL EXPENDITURES	FY2017/18	FY2018/19	Change	Change
Salaries	\$587,604	\$590,653	\$3,049	0.52%
Salaries--WCD Allowance	540	540	\$0	0.00%
Benefits	299,397	294,075	(\$5,322)	-1.78%
TOTAL PERSONNEL EXPENDITURES	\$887,541	\$885,268	(\$2,273)	-0.26%

	Approved	Requested	Dollar	Percent
OPERATING EXPENDITURES	FY2017/18	FY2018/19	Change	Change
Postage	400	400	\$0	0.00%
Cellular Phone Service	750	750	\$0	0.00%
Subscriptions	400	400	\$0	0.00%
Books (not Library)	300	300	\$0	0.00%
Memberships & Dues	2,100	2,100	\$0	0.00%
Training/Professional Develop	9,500	9,500	\$0	0.00%
Administrative Travel (for all other travel)	15,000	14,000	(\$1,000)	-6.67%
Software License Fees	10,000	9,000	(\$1,000)	-10.00%
Contracted Maint - Office Equip	800	750	(\$50)	-6.25%
Other Miscellaneous Services	500	500	\$0	0.00%
Office Supplies	1,000	900	(\$100)	-10.00%
Equipment (<\$5,000)	8,500	1,800	(\$6,700)	100.00%
Motor Fuels/Gasoline	500	250	(\$250)	-50.00%
Other Current Charges (overhead)	72,733	92,521	\$19,788	27.21%
TOTAL OPERATING EXPENDITURES	\$122,483	\$133,171	\$10,688	8.73%
TOTAL EXPENDITURES	\$1,010,024	\$1,018,439	\$8,415	0.83%

**Compliance and OIARA
Fiscal Year 2018/19 Proposed Staffing Level**

	Approved	Requested	FTE	Percent
FTE EMPLOYEES	FY2017/18	FY2018/19	Change	Change
AFSCME - OIARA	1.00	1.00	0.00	0.00%
Nonrepresented - OIARA	6.00	5.00	-1.00	-16.67%
Nonrepresented - Compliance*	0.00	1.00	1.00	100.00%
TOTAL EMPLOYEES	7.00	7.00	0.00	0.00%

*One non-represented FTE will staff the System's new Compliance Program.

Board of Governors Meeting
July 12, 2018

SUBJECT: Office of Internal Audit and Risk Assessment Fiscal Year 2018/19 Internal Audit Work Plan (ACTION)

BACKGROUND: Board of Governors Policy 1991-06-A: *State System Audit Policy*, requires the Audit and Compliance Committee to review and approve the scope of the Office of Internal Audit and Risk Assessment's annual work plan for the State System.

The proposed fiscal year 2018/19 work plan is designed to reduce the State System's exposure to adverse risk, ensure the adequacy of internal controls, assess compliance, and evaluate economies and efficiencies of operations. The work plan was collaboratively developed through input from State System leadership and the completion of a risk assessment audit planning questionnaire.

The intent of the System's fiscal year 2018/19 internal audit work plan is to complete audit engagements addressing a cross section of significant risks as identified through the *OIARA Risk Assessment Audit Planning Questionnaire*. The work plan provides for the completion of (1) *Strategic Audit Assessments* and (2) *Site Specific Audit Engagements* identified and requested through the audit planning exercise. Additionally, fiscal year 2017/18 engagements underway but not yet concluded as of June 30, 2018, would carry-forward for completion in fiscal year 2018/19.

MOTION: That the Board of Governors Audit and Compliance Committee approve the Office of Internal Audit and Risk Assessment's Fiscal Year 2018/19 Internal Audit Work Plan as presented, as noted on the agenda.

Supporting Documents Included: Office of Internal Audit and Risk Assessment Fiscal Year 2018/19 Internal Audit Work Plan

Other Supporting Documents Available: Board of Governors Policy 1991-06-A: *State System Audit Policy*

Reviewed by: Samuel H. Smith and Peter H. Garland

Prepared by: Dean A. Weber

Telephone: 717-720-4243

Office of Internal Audit and Risk Assessment Fiscal Year 2018/19 Internal Audit Work Plan

Prepared by: Dean Weber, CIA, CRMA
Director, Office of Internal Audit and Risk Assessment
June 2018

Approved: Board of Governors' Audit and Compliance Committee
June 28, 2018

Background

The fiscal year 2018/19 State System internal audit work plan was developed from a risk assessment aimed to prioritize internal audit coverage and ensure timely reviews of high exposure areas. Led by the Office of Internal Audit and Risk Assessment (OIARA), risk evaluations were completed by executive leadership from each State System member university through completion of a risk assessment internal audit planning questionnaire.

The process afforded an opportunity for leadership to rank OIARA-evaluated “high” risks of the System as they relate to the respective campus entities. The assessment process provided valuable input and transparency for the development of the System’s internal audit work plan.

The risk assessment exercise solicited university self-identification of perceived significant compliance, operational, financial, and reputational risks. With risk levels dependent on situational circumstances, which can change over time, System universities provided information regarding operating components encountering changes in leadership, operational processes, information technology, and compliance.

Lastly, the risk assessment afforded university executive leadership’s ranking of 21 auditable risk areas identified through OIARA assessment of high-volume activities, new State System or university initiatives, System policy revisions, external compliance, and trending risks impacting higher education entities. The auditable risk areas were evaluated on five risk factor categories comprising:

Operational Impact	Impairment of the ability to carry out daily operations of the university.
Financial Impact	Loss of financial resources or assets.
Compliance Impact	Failure to comply with laws, regulations, and internal policies of the system and/or university.
Health and Safety Impact	Impairment of the general well-being and safety/security of those individuals routinely interacting with the university.
Reputational Impact	Risk that public image or reputation is damaged by actions of the institution or persons directly connected to the institution.

OIARA development of auditable risk areas encompassed consideration of the three Board of Governors’ priorities guiding the System Redesign, encompassing activities supporting:

- Ensuring Student Success
- Leveraging University Strengths
- Transforming the Governance/Leadership Structure

Fiscal Year 2018/19 System Internal Audit Work Plan

The intent of the System's fiscal year 2018/19 internal audit work plan is to complete audit engagements addressing a cross section of significant risks as identified through the *OIARA Risk Assessment Audit Planning Questionnaire*.

The work plan provides for the completion of (1) *Strategic Audit Assessments* and (2) *Site Specific Audit Engagements* identified and requested through the audit planning exercise. The overarching goal is to provide leadership with outcomes for the areas reviewed identifying important attributes and value added recommendations to improve internal controls, mitigate adverse risks, and increase efficiency of operations.

Additionally, fiscal year 2017/18 engagements underway but not yet concluded as of June 30, 2018, will carry-forward for completion in fiscal year 2018/19.

I. Strategic Audit Assessments

The work plan presents three audit engagements to be completed (over a span of fiscal years) aimed toward System-wide coverage. Individual engagement outcomes will be reported to the respective institution noting entity level results and recommendations. Separately, outcomes will be summarized providing a strategic level overview of the current control environment and perspective for recommended improvement opportunities, based upon completed audits. This will encompass recommendations, where warranted, related to enhanced internal controls, operational efficiencies, and improved compliance at the governance level. University engagement locations for the *Strategic Audit Assessments* will be determined by the OIARA throughout the work plan year.

Strategic Audit Assessments comprise:

1. Social Media Applications
2. Higher Education Opportunity Act
3. Financial Aid - Title IV

II. Site Specific Audit Engagements

The work plan presents six audit engagements requested by System universities through completion of the *Risk Assessment Audit Planning Questionnaire*, plus one Office of the Chancellor engagement. Engagement outcomes will be presented detailing an independent and objective assessment of the area reviewed, including, where warranted, recommendations to improve internal controls, operational efficiencies, and compliance at the university level.

Site Specific Audit Engagements comprise:

1. NCAA Agreed-upon Procedures (completed at three universities)
2. Chincoteague Bay Field Station Financial Audit
3. Camps and Conferences
4. National Association of Intercollegiate Athletic Participation Compliance
5. Conference Services

Strategic Audit Assessments			
Audit Topic	Background	Internal Audit Focus	Key Risks
Social Media Applications	The term “social media” refers to a range of internet-based applications that allow users to create, share, and interact with information. The most popular applications have millions of active users throughout the world. Social media provides many valuable benefits to increase communication; however, universities should identify communication goals and objectives when utilizing social media.	Including but not limited to: <ul style="list-style-type: none"> • Existence of social media policies and procedures • Identify all social media used by university • Existing social media accounts are in compliance with applicable policies and laws • Social media accounts are adequately monitored and controlled • Tracking metrics are used to determine whether social media accounts are accomplishing their goals 	Including but not limited to: <ul style="list-style-type: none"> • Security and privacy • Brand/reputation damage • Legal and regulatory compliance • Acceptable use of social media
Higher Education Opportunity Act	The Higher Education Opportunity Act (HEOA) was enacted on August 14, 2008, and reauthorized the Higher Education Act (HEA), originally passed in 1965. The HEA, as amended by the HEOA, includes many institutional reporting and disclosure requirements. A reporting requirement is information to be submitted to a government agency; whereas, disclosure requirements include information that institutions are required to distribute or make available to the general public or specified recipients, such as current or prospective students, parents of current/prospective students, and employees.	Including but limited to: <ul style="list-style-type: none"> • Existence of HEA compliance procedures for disclosure requirements • Existence of required HEA disclosures • Completeness of HEA disclosure content • Proper and timely distribution of disclosure notices • Periodic review of disclosures made available through publications, mailings, or electronic media 	Including but not limited to: <ul style="list-style-type: none"> • Absence of report or disclosure requirement • Inaccuracy or incompleteness in report/disclosure information • Improper or untimely dissemination of report/disclosure

Strategic Audit Assessments			
Audit Topic	Background	Internal Audit Focus	Key Risks
Financial Aid – Title IV	<p>Federal financial aid funds are classified as Title IV funds including:</p> <ul style="list-style-type: none"> • Direct Subsidized/Unsubsidized Loan • Direct Graduate PLUS Loan • Direct PLUS Loan • Pell Grant • SEO Grant • Perkins Loan <p>Allowable Title IV charges include tuition, mandatory fees, and room and board (if contracted with the University). Refunds of Title IV funds are issued to students or parents if an undergraduate PLUS loan is included in the funds. If the sum of Title IV funds distributed to a student's account is greater than the Title IV allowable charges, a refund is issued for the difference. If a student discontinues enrollment, the unearned funds must to be returned to the respective federal programs within 45 days.</p>	<p>Including but not limited to:</p> <ul style="list-style-type: none"> • Assess operating procedures and internal controls related to refunded and/or return of awarded Title IV financial aid funds • Interviewing appropriate personnel, documenting processes, and reviewing internal University procedures • Sample testing to ensure compliance with return of Title IV funds by students discontinuing enrollment 	<p>Including but not limited to:</p> <ul style="list-style-type: none"> • Amounts refunded or returned are incorrect • Returned funds are not completed within the required 45 days • University policies for Title IV funds do not exist

Site Specific Audit Engagements	
Site Location	Internal Audit Engagement
Bloomsburg University	NCAA Agreed-upon Procedures
California University	NCAA Agreed-upon Procedures
Cheyney University	National Association of Intercollegiate Athletic Participation
Kutztown University	Chincoteague Bay Field Station Financial Audit
Mansfield University	NCAA Agreed-upon Procedures
Millersville University	Camps and Conferences
Office of the Chancellor	Conference Services

Fiscal Year 2018/19 Carry-over Engagements*	
Site Location	Internal Audit Engagement
California University	Information Technology User Access
East Stroudsburg University	Leave Payout Calculations
Edinboro University	Jeanne Clery Act Compliance
Edinboro University	Presidential Transition
Indiana University	Faculty Continuing Education Payments
Indiana University	Advancement Division Travel Expenditures
Millersville University	Presidential Transition

* Engagements ongoing at June 30, 2018 to be completed in the first quarter of fiscal year 2018/19.

Board of Governors Meeting
July 12, 2018

SUBJECT: System Redesign Update

UNIVERSITIES AFFECTED: All

BACKGROUND: The System Redesign effort is focused on three strategic priorities: 1) Ensuring student success; 2) Leveraging university strengths; and 3) Transforming the governance/leadership structure. Small, focused task groups were established to accomplish specific objectives related to the three strategic priorities. The task groups—led by a president and a System staff member—will report on their progress during the update.

In addition to a report from the task groups, staff will provide a presentation regarding the delegation of authority in approval of new academic degree programs. The Board delegated its authority to the chancellor for the approval of undergraduate and graduate degree programs via policy revision at its January 25, 2018 meeting. The presentation will include evidence of the greater efficiencies that enable universities to bring programs to market quicker in response to student demands as well as Commonwealth needs and beyond.

Supporting Documents Included: N/A

Other Supporting Documents Available: N/A

Reviewed by: N/A

Prepared by: Karen M. Whitney

(717) 720-4010

Board of Governors Meeting

July 12, 2018

SUBJECT: Fiscal Year 2018/19 Financial Plan Update (INFORMATION)

UNIVERSITIES AFFECTED: All

BACKGROUND: On June 22, 2018, the Commonwealth's fiscal year 2018/19 spending plan was enacted, providing Pennsylvania's State System of Higher Education \$468.1 million in state appropriations—an increase of \$15 million, or 3.3 percent. The State System is appreciative of the increased support provided by the General Assembly and Governor Wolf, and acknowledges the continued fiscal challenges facing the Commonwealth.

The attached overview summarizes the State System's estimated fiscal year 2018/19 Educational and General (E&G) financial requirements, incorporating the increase in state appropriations and the most current information available from the universities, as reviewed with the University Success Committee at its meeting on July 2, 2018.

This information is necessary to support recommendations of the Committee concerning:

- Fiscal Year 2018/19 Educational and General Appropriation Allocation.
- Fiscal Year 2018/19 Tuition and Technology Tuition Fee Rates.

Supporting Documents Included: Fiscal Year 2018/19 Educational and General Financial Requirements

Other Supporting Documents Available: Fiscal Year 2018/19 Appropriations Request; presentations and materials from Board of Governors meetings of October 18–19, 2017 and April 4–5, 2018; Commonwealth's Fiscal Year 2018/19 Spending Plan

Reviewed by: University Success Committee

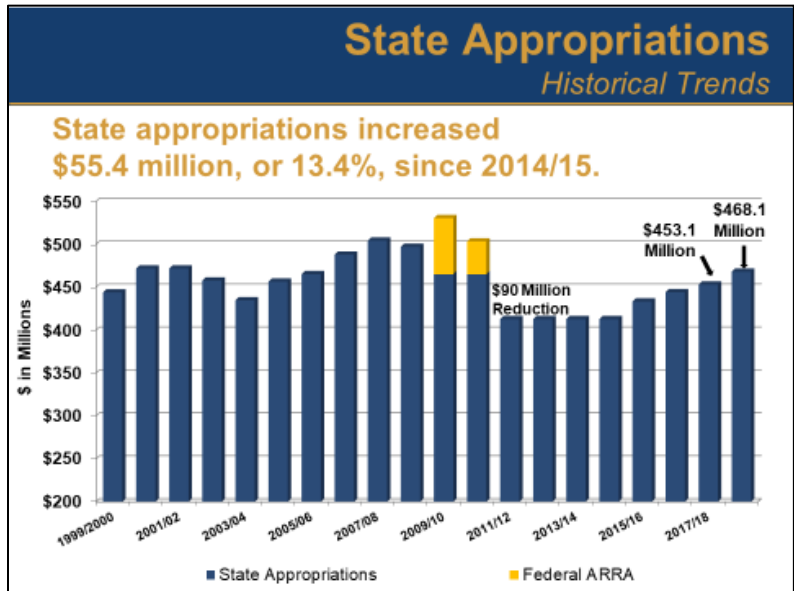
Prepared by: James S. Dillon

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Fiscal Year 2018/19 Educational and General Financial Requirements *Revised June 2018*

On June 22, 2018, the Commonwealth’s fiscal year (FY) 2018/19 spending plan was enacted, providing Pennsylvania’s State System of Higher Education \$468.1 million in state appropriations—an increase of \$15 million, or 3.3 percent. Over the past four years, the Commonwealth’s budget has provided the System with a combined increase in appropriations of \$55.4 million (13 percent), following six years of reduced or stagnant state appropriations.

The State System is appreciative of the increased support provided by the General Assembly and Governor Wolf, and acknowledges the continued fiscal challenges facing the Commonwealth. This support represents an important investment in Pennsylvania’s future—one that pays huge dividends for the entire Commonwealth.



The System’s FY 2018/19 Educational and General (E&G) financial plan was developed to address the structural gap between revenues and expenses to ensure financial sustainability, relevancy of academic programs, and student success. The State System’s original FY 2018/19 E&G financial plan provided for limited mandatory increases in basic operating costs and anticipated pay increases associated with collective bargaining agreements,

Each spring, the State System’s budget estimates for the upcoming year are revised to reflect the most current information. The updated financial plan includes the following major components, which have been revised from estimates shared in October 2017.

Enrollment

It is anticipated that the State System will serve approximately 92,500 full-time equivalent students (FTE, not headcount) in FY 2018/19, which is about 2,000 fewer than enrolled in the current year, an estimated decrease of 2.2 percent. Enrollment projections vary significantly by university, in accordance with university strategic enrollment expectations and regional demographic trends. This reduction in anticipated enrollment is the primary driver for the reduction in estimated tuition and fee revenue.

Employee Complement

The System has worked diligently in recent years to manage its human resources, filling only essential positions as they become vacant. With annual workforce cost increases outpacing anticipated revenue increases, the System continues to align human and fiscal resources with the strategic directions and operational responsibilities of the System to meet the needs of both students and the Commonwealth. Throughout 2017/18, a combination of separations and retirements has resulted in approximately 400 fewer FTE positions filled

and a corresponding reduction in personnel expenses. This generates personnel savings in 2018/19 from original estimates, as some positions will remain vacant, while others may be filled at a lower cost and at a later date.

Anticipated Revenue

Tuition and Fees—Assuming no change in the System’s tuition rates, revenue estimates reflect a \$14.9 million decrease in tuition and fee revenue attributed to projected decreases in enrollment at nine universities, changes in the mix of students (e.g., full-time versus part-time, residency, and student level), and implementation of alternative pricing strategies.

State Appropriation—The state appropriation reflects the State System’s 2018/19 appropriation of \$468.1 million, an increase of \$15.0 million or 3.3 percent, as reflected in the Commonwealth’s enacted spending plan.

All Other Revenue—Most universities do not anticipate increases and/or continuation of certain miscellaneous revenue sources until these revenues are received. In addition, they limit expenditures supported by these specific revenue streams in their budget estimates. Other revenue was higher than anticipated in 2017/18 due to a healthcare settlement refund that is not expected to recur in 2018/19, resulting in a decrease in anticipated other revenue of \$6.5 million.

Planned Use of Carryforward—Typical initiatives funded with carryforward include implementation of new academic programs, major equipment purchases and upgrades, facilities improvements, and transitions through demographic changes. Universities also reflected a planned use of carryforward in 2017/18 to partially fund ongoing expenses as a transitional tool, while implementing multiyear realignments of programs and workforce needs. The reduced reliance on carryforward in 2018/19 supports a corresponding anticipated reduction in expenditures through sustainable restructuring and completion of one-time capital projects and academic initiatives.

Anticipated Expenditures

Salaries and Wages—State System universities operate in a competitive environment for faculty and staff. Recruiting and retaining a talented workforce is necessary to ensure students receive a quality education. Pay increases associated with all employee groups in accordance with collective bargaining agreements have been addressed in the revised 2018/19 estimates. The combined contractual obligations for changes in pay (\$28.7 million) and associated benefits (\$7.0 million) total \$35.7 million. The fiscal impact of these pay adjustments is partially offset by changes in employee complement. Therefore, the total anticipated increase in 2018/19 for employee salaries and wages is \$23.8 million, or 2.9 percent. These pay adjustments also generate a corresponding fiscal impact on Social Security and retirement benefit costs.

Employee Benefits—For the first time in many years, the Commonwealth’s increase in pension rates and its corresponding impact on the System had leveled off. Approximately half of the System’s employees participate in one of the two primary Commonwealth pension programs, State Employees’ Retirement System (SERS) and Public School Employees’ Retirement System (PSERS), as their retirement vehicle. The most common SERS employer contribution rate for the State System is increasing 0.6 percent to 34.63 percent of salaries. PSERS rates are increasing 2.6 percent. Retirement rates associated with the alternative retirement programs remain the same,

although retirement and Social Security costs increase as salaries and wages increase. Total retirement expenditures are expected to increase \$3.9 million, or 2.8 percent in 2018/19.

An unprecedented decrease in healthcare rates is projected for 2018/19. Of those employees who receive health benefits, approximately 65 percent are enrolled in the healthcare plan managed by the State System. The employer share of healthcare rates for active and annuitant employees within the System-managed programs is projected to decrease an average of 4.0 percent next year for employees and retirees, due to plan redesign as successfully negotiated with bargaining units, a new strategically-sourced healthcare administration contract, and favorable shifts in the System's healthcare plan participation and claims utilization.

The remaining 35 percent of System employees receive healthcare through the Pennsylvania Employees Benefit Trust Fund (PEBTF). Employer contribution rates will increase 2.8 percent in 2018/19, as negotiated in collective bargaining agreements. Contribution rates for the Commonwealth's Retired Employees Health Program (REHP) will remain at the same level as originally budgeted for 2018/19; however, they reflect a significant increase over 2017/18 due to reductions in the rates that occurred in the current year. In total, healthcare expenditures are anticipated to increase \$4.6 million, or 2.6 percent.

Overall, total 2018/19 employee benefits expenditures are expected to increase \$11.7 million, or 2.9 percent, primarily due to the impact of contractual pay adjustments on Social Security and retirement payments.

Student Financial Aid—Given the growing emphasis on affordability, retention, enrollment management, and the net price to the student, universities have increased their E&G investment in financial aid. Significant growth in the use of institutional unrestricted resources for student aid is reflected in 2017/18, corresponding with the recent flexibility provided by Board of Governors policy and expectations regarding affordability and pricing. E&G student aid expenditures in 2018/19 are expected to grow \$0.7 million, or 1.2 percent, to almost \$57 million, representing a 66 percent increase over five years in university-funded assistance going directly to students and their families.

All Other Basic Operating Expenditures—Given the current fiscal environment, universities continue to limit nonmandatory spending and seek strategic sourcing opportunities to drive down the cost of goods and services. Therefore, anticipated expenditures for all other services, supplies, materials, and utilities are projected to decrease slightly by \$0.7 million, or 0.2 percent.

Capital Expenditures and Transfers—Capital expenditures and transfers, which primarily represent each university's investment in its physical resources from the E&G budget, are projected to decrease by \$1.9 million or, 2.7 percent. This is the combined result of increased debt payments offset by a decrease in expenditures associated with specific facilities projects.

The State System is committed to providing a high-quality education that is affordable to students, and that prepares each for a successful future. Universities continue to incorporate a variety of cost-saving strategies, some of which have been utilized for more than a decade.

Through these initiatives, the universities have eliminated an estimated \$360 million in base budget costs over the last 13 years. They will continue these efforts, including streamlining administrative processes and academic offerings; strategically redirecting resources; implementing efficiency initiatives; and aggressively managing physical, financial, and human resources. In addition to these targeted cost savings efforts, universities continue to reinvest existing resources into new, higher priority strategic areas, and into high need areas such as new academic programs, strategic enrollment management, student success and affordability, instructional technology expansion and campus-wide technology upgrades, distance education, and academic facilities renovation. These efforts are essential to ensure the continued alignment of academic programs with workforce needs while attracting, retaining, and graduating students of diverse backgrounds—serving them through various delivery modalities and student-focused learning.



As described above, the System’s 2018/19 financial requirements are driven by anticipated mandatory cost increases primarily in contractual salaries and wages, reductions in enrollment, and universities’ cost savings strategies. The following table reflects the revised FY 2017/18 financial plan and revised FY 2018/19 financial requirements based on university spring budget and enrollment submissions. The revised 2018/19 requirements reflect a funding gap of \$49.2 million, with no projected change in tuition rates.

**Estimated FY 2018/19 Educational and General Financial Plan
Includes Enacted Commonwealth Appropriation of \$468.1 Million
and No Change in Tuition Rates**

Revised as of June 26, 2018

(Dollars in Millions)

E&G Revenue/Sources	FY 2017/18	FY 2018/19	Change
Tuition and Fees	\$1,090.7	\$1,075.7 ¹	(\$14.9)
State Appropriation	453.1	468.1 ²	15.0
All Other Revenue	90.2	83.7	(6.5)
Planned Use of Carryforward	23.2	18.6	(4.7)
Total Revenue/Sources	\$1,657.3	\$1,646.1	(\$11.1)

Expenditures and Transfers			
Total Salaries and Wages	\$831.7	\$855.4 ³	\$23.8
Total Benefits	400.6	412.3 ⁴	11.7
TOTAL PERSONNEL	\$1,232.3	\$1,267.7	\$35.5
Financial Aid	\$56.1	\$56.8	\$0.7
Utilities	30.5	30.1	(0.4)
All Other Services and Supplies	269.8	269.5	(0.3)
Capital Expenditures and Transfers	73.3	71.3	(1.9)
Total E&G Expenditures/Transfers	\$1,661.9	\$1,695.4	\$33.5
Total E&G Fund Surplus/(Shortfall)	(\$4.6)	(\$49.2)	

Annualized FTE Enrollment (not Headcount)			
Undergraduate In-State	73,380.72	71,607.63	(1,773.09)
Undergraduate Out-of-State	9,244.00	9,028.00	(216.00)
Graduate In-State	9,375.13	9,323.61	(51.52)
Graduate Out-of-State	2,582.79	2,572.99	(9.80)
Total FTE Enrollment (not Headcount)	94,582.64	92,532.23	(2,050.40)

Note: Numbers may not add due to rounding.

¹Tuition and fee revenue estimates reflect reduced enrollment estimates. No change in the System's basic tuition rate is assumed in this schedule.

²Reflects amount in Commonwealth spending plan enacted on June 22, 2018.

³Personnel expenditures include mandatory salary adjustments as required by collective bargaining agreements, which are partially offset by university workforce management. Universities have experienced higher turnover this year than anticipated; vacant positions are reassigned, not filled, or filled at a lower cost.

⁴Includes \$7.7 million in healthcare savings due to plan redesign, as negotiated with bargaining units, a new strategically sourced contract for healthcare administration, and reduced healthcare usage. Also reflects corresponding changes in benefit costs due to salaries and wages (see note above).

Board of Governors Meeting

July 12, 2018

SUBJECT: 2018/19 Tuition and Technology Tuition Fee Rates (ACTION)

UNIVERSITIES AFFECTED: All

BACKGROUND: At its meeting on July 2, 2018, the University Success Committee reviewed recommendations for affordability strategies that included proposed changes to Board of Governors Policy 1999-02-A: *Tuition* (see agenda item #13, page 85). If approved, those changes would go into effect no earlier than the 2019/20 academic year. In the meantime, the Board needs to set tuition for 2018/19 in compliance with the current version of Board of Governors Policy 1999-02-A: *Tuition*.

Therefore, it is recommended that the Board approve the proposed 2018/19 Tuition Schedule (Attachment 1) and the 2018/19 Technology Tuition Fee Schedule (Attachment 2). Please note that all the alternative and out-of-state rates are supported by plans previously approved by the Board of Governors.

MOTION: That the Board of Governors approve the 2018/19 tuition and technology tuition fee rates, as attached.

Supporting Documents Included: 2018/19 Tuition Schedule (Attachment 1); 2018/19 Technology Tuition Fee Schedule (Attachment 2)

Other Supporting Documents Available: Fiscal Year 2018/19 Appropriations Request; Board of Governors Policy 1999-02-A: *Tuition*; University Out-of-State Tuition Plans, as approved by the Board of Governors on January 25, 2018; Alternative Tuition Plans, as approved by the Board of Governors April 6, 2017 and January 25, 2018; Pricing Flexibility Pilot Programs, as approved by the Board of Governors between January 2014 and April 2016

Reviewed by: University Success Committee

Prepared by: James S. Dillon

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**Pennsylvania's State System of Higher Education
2018/19 Tuition Schedule**

Excludes Rates for Board-Approved Tuition Flexibility Pilots

Student Classification	2017/18	2018/19	Change	
			Amount	Percent
Full-Time Academic Year				
In-State Undergraduate Basic Tuition Rate	\$7,492			
EA Warrior Promise Tuition Guarantee 2018/19 cohort	N/A			
Out-of-State Undergraduate (as percent of basic in-state tuition rate) ¹				
150% (BL ² , CA ² , CH ² , CL, EA ² , ED ² , IN ² , KU ² , SH ² , SL ²)	\$11,238			
150% (EA Warrior Promise Tuition Guarantee 2018/19 cohort)	N/A			
\$6,000 less than 250% rate (MI ²)	N/A			
165% (CH ² , MA ²)	\$12,362			
170% (ED ² , IN ²)	\$12,736			
175% (MI ² , SH ²)	\$13,112			
195% (CA ²)	\$14,610			
\$4,000 less than 250% rate (MI ²)	N/A			
200% (EA ² , KU ² , LO ² , MI ² , SL ²)	\$14,984			
200% (EA Warrior Promise Tuition Guarantee 2018/19 cohort)	N/A			
\$2,000 less than 250% rate (LO ²)	\$16,730			
225% (SH ²)	\$16,858			
250% (BL, IN ² , KU ² , LO ² , MI ² , WE)	\$18,730			
Full-Time Semester				
In-State Undergraduate Basic Tuition Rate	\$3,746			
EA Warrior Promise Tuition Guarantee 2018/19 cohort	N/A			
Out-of-State Undergraduate (as percent of basic in-state tuition rate) ¹				
150% (BL ² , CA ² , CH ² , CL, EA ² , ED ² , IN ² , KU ² , SH ² , SL ²)	\$5,619			
150% (EA Warrior Promise Tuition Guarantee 2018/19 cohort)	N/A			
\$6,000 less than 250% rate (MI ²)	N/A			
165% (CH ² , MA ²)	\$6,181			
170% (ED ² , IN ²)	\$6,368			
175% (MI ² , SH ²)	\$6,556			
195% (CA ²)	\$7,305			
\$4,000 less than 250% rate (MI ²)	N/A			
200% (EA ² , KU ² , LO ² , MI ² , SL ²)	\$7,492			
200% (EA Warrior Promise Tuition Guarantee 2018/19 cohort)	N/A			
\$2,000 less than 250% rate (LO ²)	\$8,365			
225% (SH ²)	\$8,429			
250% (BL, IN ² , KU ² , LO ² , MI ² , WE)	\$9,365			
			<i>Note: Final 2018/19 tuition recommendations are to be determined.</i>	

**Pennsylvania's State System of Higher Education
2018/19 Tuition Schedule**
Excludes Rates for Board-Approved Tuition Flexibility Pilots

Student Classification	2017/18	2018/19	Change	
			Amount	Percent
Per Student Credit Hour³				
In-State Undergraduate Basic Tuition Rate	\$312			
99% (MI--for all in-state undergraduates)	\$309			
EA Warrior Promise Tuition Guarantee 2018/19 cohort	N/A			
In-State Graduate Basic Tuition Rate	\$500			
Out-of-State Undergraduate (as percent of in-state tuition rate) ¹				
105% of university's in-state tuition rate (MA Minimum ²)	\$331			
110% of university's in-state tuition rate (CBFS ²)	\$343			
145% of university's in-state tuition rate (IN ²)	N/A			
150% of university's in-state tuition rate (IN ²)	N/A			
150% (BL ² , CA ² , CH ² , CL, EA ² , ED ² , IN ² , KU ² , SH ² , SL ²)	\$468			
150% (EA Warrior Promise Tuition Guarantee 2018/19 cohort)	N/A			
\$6,000 less than 250% rate (MI ²)	N/A			
165% (CH ² , MA ²)	\$515			
170% of university's in-state tuition rate (IN ²)	N/A			
170% (ED ² , IN ²)	\$531			
175% (MI ² , SH ²)	\$546			
195% (CA ²)	\$609			
\$4,000 less than 250% rate (MI ²)	N/A			
200% (EA ² , KU ² , LO ² , MI ² , SL)	\$624			
200% of university's in-state tuition rate (MA Maximum ²)	\$631			
200% (EA Warrior Promise Tuition Guarantee 2018/19 cohort)	N/A			
\$2,000 less than 250% rate (LO ²)	\$697			
225% (SH ²)	\$702			
250% (BL, IN ² , KU ² , LO ² , MI ² , WE)	\$780			
250% of university's in-state tuition rate (IN Maximum ²)	N/A			
Out-of-State Graduate	\$750			
Out-of-State Undergraduate Distance Education, Minimum	\$319			
Out-of-State Graduate Distance Education, Minimum	\$510			

Note: Final 2018/19 tuition recommendations are to be determined.

CBFS = Chincoteague Bay Field Station

¹ Out-of-state tuition plans, as approved by the Board of Governors each January, may vary at universities from year to year; rates listed may apply at each respective university in 2017/18 and/or 2018/19.

² Applies to certain out-of-state students based upon geographic location, academic program/term, or academic standing.

³ For graduate student charges; and for undergraduate part-time, summer, and interim session student charges.

Note: Cheyney University will charge 90% of the prevailing rate(s) to students who had been admitted into a degree program at Center City and had designated it as their primary location of choice; West Chester University will charge 90% of the prevailing rate(s) to students attending Center City; California University will charge alternative military rates to veterans and eligible dependents.

**Pennsylvania's State System of Higher Education
2018/19 Technology Tuition Fee Schedule**

Student Classification	2017/18	2018/19	Change	
			Amount	Percent
Full-Time Academic Year				
In-State Undergraduate	\$464			
Out-of-State Undergraduate	\$706			
Full-Time Semester				
In-State Undergraduate	\$232			
Out-of-State Undergraduate	\$353			
Per Student Credit Hour (For part-time and graduate students)¹				
In-State Undergraduate (less than 12 credits)	\$20			
Out-of-State Undergraduate (less than 12 credits)	\$30			
In-State Graduate	\$27			
Out-of-State Graduate	\$39			

*Note: Final 2018/19
technology tuition fee
recommendations are to be
determined.*

¹ For graduate student charges; and for undergraduate part-time, summer, and interim session student charges.

Board of Governors Meeting

July 12, 2018

SUBJECT: Fiscal Year 2018/19 Educational and General Appropriation Allocation (ACTION)

UNIVERSITIES AFFECTED: All

BACKGROUND: Board of Governors Policy 1984-06-A: *Allocation Formula*, specifies the method by which the Educational and General (E&G) appropriation is allocated annually to the universities for their basic funding requirements. During the upcoming fiscal year, the System will be reviewing its methodology for distributing state appropriations with the expectation that a new allocation formula will be established for use in fiscal year 2019/20.

In anticipation of potential changes to the allocation formula, it is proposed that the use of the current formula be suspended for the 2018/19 allocation. Doing so would provide greater stability in funding and better align changes in revenue with changes in mandatory expenditures.

To determine the amount of the fiscal year (FY) 2018/19 E&G appropriation that is available to be distributed to the universities, certain items of System-wide significance must first be funded. These items and their recommended FY 2018/19 funding levels are described in Attachments 1 and 2. Attachment 3 provides the rationale for suspending the formula and the objectives for a one-time transitional change in distribution of base funding to universities.

MOTION: That the Board of Governors approve the following allocation of funds from the System's fiscal year 2018/19 E&G appropriation.

Item	Amount
Performance Funding	\$39,061,000
Dixon University Center Academic Consortium	\$1,301,000
Chincoteague Bay Field Station	\$1,074,981
Compliance and Office of Internal Audit and Risk Assessment	\$891,154
System Reserve	\$553,600
APSCUF Professional Development Fund	\$400,000

And that the remaining funds be distributed to the universities as recommended by the chancellor.

Supporting Documents Included: Funding of System-Wide Initiatives from the Fiscal Year 2018/19 E&G Appropriation (Attachment 1); Report of Expenditures from the System Reserve (Attachment 2), FY 2017/18 Alternative University Allocation Method (Attachment 3)

Other Supporting Documents Available: Fiscal Year 2018/19 Appropriations Request; Commonwealth's Fiscal Year 2018/19 Budget; Board of Governors Policy 1984-06-A: *Allocation Formula*

Reviewed by: University Success Committee

Prepared by: James S. Dillon

Telephone: (717) 720-4100

**Pennsylvania's State System of Higher Education
Funding of System-Wide Initiatives from the Fiscal Year 2018/19 E&G Appropriation**

Performance Funding.....\$39,061,000

The performance funding program measures university performance compared to multiyear targets that were established through 2016/17 (2017/18 awards were based on 2016/17 performance). Beginning with the 2018/19 awards (based on 2017/18 performance), a transitional model that was approved by the Board of Governors on January 25, 2018, will be implemented. As part of this transitional model, the performance funding pool will remain at the current level of \$39.1 million.

Dixon University Center Academic Consortium\$1,301,000

The academic programming performed at Dixon University Center has been partially funded through the E&G appropriation for many years. This fiscal year, the appropriation of \$1,260,000 provided for continuation of academic services and associated maintenance of the Dixon University Center site. It is recommended that the allocation for the Dixon University Center be adjusted proportionately with the same percent increase as occurs in the System's 2018/19 E&G appropriation.

Chincoteague Bay Field Station.....\$1,074,981

The Chincoteague Bay Field Station, founded in 1968 by three Pennsylvania state colleges, is managed by a consortium that is primarily comprised of System universities. It provides students field experiences across a variety of disciplines. The Field Station's main campus, located at Wallops Island, Virginia, underwent a \$15 million revitalization of its education center and dormitories, which was financed with System bonds as approved by the Board of Governors April 10, 2008, and for which debt service currently is paid by three System universities. In March 2017, the Board was notified of the consortium's interest in seeking new ownership for the Field Station, due to the cost of operating the enterprise, including debt service obligations. As these facilities have supported various academic and research initiatives of most System universities, it is proposed that the associated debt service be funded directly from the System's E&G appropriation while the consortium actively seeks to divest itself from the property.

Compliance and Office of Internal Audit and Risk Assessment\$891,154

The Office of Internal Audit and Risk Assessment (OIARA) is responsible for facilitating risk assessment activities and, in turn, structuring and executing an internal audit plan based on high-risk areas. The Board's Audit and Compliance Committee is reviewing university and system compliance programs around the country to determine how best to provide compliance related support, guidance, and education to System universities within limited resources. The 2018/19 proposed budget for both of these functions of \$1,018,439 was approved by the Audit and Compliance Committee on June 28, 2018. It is recommended that this combined budget be funded at \$891,154, as \$127,285 remains from the previous year's allocation due to savings from a vacancy.

Replenishment of the System Reserve\$553,600

The total recommended allocation to the System Reserve for 2018/19 is \$553,600, which will replenish the System Reserve to the \$1,500,000 level required by Board of Governors Policy 1984-07-A: *System Reserve Allocation and Expenditure Criteria*. Attachment 2 is a detailed list of expenditures for 2017/18 and a list of projected expenditures 2018/19. The amount to be replenished differs from total expenditures due to interest earnings.

Faculty Professional Development Funds.....\$400,000

The collective bargaining agreement with the Association of Pennsylvania State College and University Faculties (APSCUF) reinstated the Faculty Professional Development Program with a fiscal year 2018/19 funding requirement of \$300,000 for current faculty members, \$50,000 for probationary faculty members, and \$50,000 for programs and activities related to innovation in teaching and improvement of student learning outcomes.

**Pennsylvania's State System of Higher Education
Report of Expenditures from the System Reserve**

Actual 2017/18 Expenditures

Chancellor Search*	\$129,851
Presidential Searches (Lock Haven, Millersville, Slippery Rock, Clarion)*	285,357
Strategic System Review	86,297
System Financial Audit (Fiscal Year 2016/17)**	55,144
Property Appraisal (Indiana and West Chester)	<u>11,950</u>
Total Actual Fiscal Year 2017/18 Expenditures	\$568,600
Anticipated Interest Earnings	<u>(15,000)</u>
Amount to be Replenished	\$553,600

Anticipated 2018/19 Expenditures

Presidential Searches (Edinboro, Mansfield)	\$170,000
Mansfield University's Official Residence Renovation	<u>150,000</u>
Total Anticipated Fiscal Year 2018/19 Expenditures	\$320,000

*Based on invoices received to date. If additional costs were incurred, they will be included in the 2018/19 expenditures.

**Beginning in Fiscal Year 2018/19, the System Financial Audit will be paid directly by universities, rather than through the System Reserve account.

Note: Numbers may not add due to rounding.

FY 2017/18 Alternative University Allocation Method

Background:

The State System's founding legislation specifies that "State funds appropriated to the System shall be allocated to the individual institutions on a formula based on, but not limited to, such factors as enrollments, degrees granted, and programs." The System's allocation formula, as outlined in Board of Governors Policy 1984-06-A: [Allocation Formula](#), is used to distribute the System's state appropriations equitably among its 14 universities.

The current formula was established July 2014, based upon updated principles and objectives, when all System universities charged the same tuition to in-state students. Since that time, the System has provided increased pricing flexibility that has resulted in differing tuition practices among the universities. As the System continues its Redesign efforts, informed by the System Review, the System will continue to move in new directions to ensure student success by leveraging university strengths. As such, it will continue to support greater institutional flexibility in pricing strategies, especially to recognize differences in affordability and to require greater collaboration among System universities in providing academic programming and administrative support services.

This new strategic direction is based upon a different set of objectives for the System than those that were in place when the current allocation formula was developed. Therefore, based on the recommendation of the Collaborative Allocation of Resources Task Group, a holistic review of the allocation formula will begin in September 2018. It is anticipated that the process will result in a new allocation formula being recommended to the Board of Governors for the 2019/20 appropriation allocation.

FY 2017/18 Transitional Allocation Method:

For 2018/19 only, it is proposed that the Board of Governors consider suspending the use of the current formula to meet following objectives:

- To improve university stability.
- To align new revenue distribution with new mandatory costs.
- To limit impact of disparate results while a new formula is under development.

Alternatives for meeting these objectives are under discussion and a recommendation will be provided at a later time.

Board of Governors Meeting

July 12, 2018

SUBJECT: Strategies for Affordability

UNIVERSITIES AFFECTED: All

BACKGROUND: As part of its System Redesign effort, the Board of Governors established “leveraging university strengths” as one of its three key strategic priorities. Leveraging university strengths requires flexibility to recognize regional differences in cost and price of delivery of academic programs and more collaborative funding mechanisms. The Collaborative Pricing and Regional Affordability Task Group, established in December 2017, has worked to develop recommendations for flexibility to align and achieve regional affordability through strategic pricing efforts. Updates on the work of this task group have been shared with the Board at its January and April 2018 meetings.

The task group first created a concept paper, *Pricing Strategies for Affordability*, which was reviewed by System leadership and posted to the System Redesign website on May 16, 2018, for review and comment by all stakeholders. The concepts in the paper informed the subsequent proposed revisions to Policy 1999-02-A: *Tuition*, which also was posted to the System Redesign website and shared widely for review and comment.

The recommended revisions for the System’s tuition policy are based on the concept that State System universities will serve more Pennsylvanians if their pricing strategies are flexible and student-centered, recognizing differences in each university’s region, program offerings, and characteristics of the individual student—especially the student’s ability to pay. It also recognizes the wide variety of pricing practices used across the nation in public higher education, including:

- Net price strategies to minimize financial barriers to student access and success.
- Net revenue strategies to serve the needs and best interests of each individual university and its region.
- Multiyear and timely pricing strategies to provide greater predictability for students’ financial planning and to better equip prospective students in their enrollment decisions.

Upon acceptance of the recommended revisions to Policy 1999-02-A: *Tuition*, the following two Board policies will no longer be necessary, and are recommended for rescission.

- a. 1984-08-A: *Board of Governors Scholars Program*
- b. 1996-01-A: *Sources of Funding for University Scholarships*

Supporting Documents Included: Policy 1999-02-A: *Tuition* (with proposed revisions and original version); *Pricing Strategies for Affordability Conceptual Framework*; 1984-08-A: *Board of Governors Scholars Program*; 1996-01-A: *Sources of Funding for University Scholarships*

Other Supporting Documents Available: N/A

Reviewed by: Collaborative Pricing and Regional Affordability Task Group, university leadership, and constituency groups through the System Redesign webpage (<http://systemredesign.passhe.edu/>); University Success Committee

Prepared by: James S. Dillon

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PA State System of Higher Education Board of Governors

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POLICY 1999-02-A: TUITION

See Also:

Adopted: April 8, 1999

Amended: October 10, 2002, July 14, 2005, October 11, 2007, July 17, 2008, January 20, 2011, January 26, 2017, [and July xx, 2018](#)

A. Purpose

The Board of Governors (Board) has statutory authority to set tuition for Pennsylvania's State System of Higher Education (State System). This policy articulates the basic philosophy, objectives, and guidelines of the State System's tuition structure, providing a common understanding of the basis for establishing tuition for the State System.

This policy is intended to:

- Provide students access to high-value, relevant educational experiences that prepare them for pathways to successful lives and careers.
- Allow State System universities to plan, budget, and allocate resources over multiple years, ensuring their long-term stability and success.
- Keep tuition predictable, enabling students to plan for their educational expenses.
- Provide access to State System universities for a range of qualified students from all socioeconomic backgrounds.
- Recognize and support individual university missions, scope, and program array.

B. Philosophy and Objectives

The State System is responsible for and committed to ensuring that qualified Pennsylvania residents have access to State System universities and quality education at affordable prices. Because the students benefit from the education they receive, they have a responsibility to pay a reasonable share of the costs through tuition. Because Pennsylvania benefits from having an educated citizenry, the state also has a responsibility to bear a substantial portion of the costs through taxpayer support. The State System also has a responsibility to maximize the efficiency of its operations to minimize the cost to taxpayers and students.

Affordability has a different meaning for each individual based on their available financial resources and ability to pay. Student-centered tuition policies must include affordability strategies that focus on the student's ability to pay and net price to the student, with a result of aligning enrollment, aid to students, and net revenue. University-based pricing strategies recognize regional economic differences in costs, household income, cost of

living, and average buying power within the region. Such approaches allow each university the flexibility to become unique in its marketplace, ensuring an appropriate array of high-value academic programs, while reducing competition among State System universities. Affordability strategies allow universities to maximize their specific strengths and regional opportunities to better serve the citizenry of the Commonwealth.

C. Definitions

- **Basic Tuition Rate**—A tuition rate approved by the Board that is charged to students at universities that do not have a separately approved pricing strategy.
- **Graduate Student**—A student who holds at least a bachelor's or first professional degree and is enrolled at the graduate level, including nondegree students in graduate courses who may or may not be admitted to a graduate degree or certificate program.
- **In-State Student**—A student who is legally domiciled in Pennsylvania, as defined in Board of Governors Policy 1985-03, *Student Domicile Regulations*.
- **Institutional Aid**—University-funded financial assistance to a student for the purpose of undertaking for-credit course work, not to exceed the full cost of attendance less other grant awards. Sources include university restricted and unrestricted gifts, revenue from university endowments, and the university's general (or foregone) revenues; but exclude federal or state grant aid, private scholarships, affiliate scholarships, institutional matches for externally funded student aid grants, loans, tuition waivers as articulated in Board of Governors Policy 1983-18-A: *Waiver of Tuition and/or Fees*, tuition benefits for university employees or their spouses/dependents, or tuition exchange programs.
- **Net Price**—From the perspective of the student, the price the student must pay to the university. Net price is calculated as the student's tuition, fees, room and board, less institutional aid and all other grants, scholarships, and waivers received by the student.
- **Net Revenue**—Gross tuition and fee revenue less total institutional aid.
- **Out-of-State Student**—A student who is not legally domiciled in Pennsylvania, as defined in Board of Governors Policy 1985-03, *Student Domicile Regulations*.
- **Technology Tuition Fee**—A separate tuition fee established by the Board for rendering technology resources and services to enhance student learning experiences.
- **Tuition**—The basic fee established by the Board for rendering educational services, as enumerated in Act 188 of 1982. The technology tuition fee is a form of tuition.
- **Undergraduate Student**—A student in a bachelor's degree program, an associate's degree program, a vocational, technical, or certificate program below the baccalaureate level; or a nondegree-seeking student matriculated in a lower or upper division course.

D. Guidelines

To aid in recruiting and providing students and families with meaningful information on the cost of attending a State System university before the student needs to commit, both the Board, for tuition, and councils of trustees, for fees, shall approve rates as early as possible. Tuition rates will be set annually no later than April 30 for the upcoming two academic years. The tuition rate for the second year, based on the most current three-year average increase in the State System's basic tuition rate, will be set as tentative, with the opportunity to be adjusted no later than April 30 prior to the start of that academic year. This does not preclude the Board from adjusting rates at a later date due to unforeseen circumstances.

1. In-State Tuition

a. Undergraduate

- 1) The president, upon concurrence of the chancellor, shall recommend multiyear university tuition strategies for approval by the Board.
 - i. A president's recommendations must include tuition rate(s), rate structure(s), and net price strategies proposed for their university. University tuition strategies may incorporate the wide variety of practices used across the nation in public higher education, but all must include net price strategies to minimize financial barriers to student access and success and net revenue strategies to serve the needs and best interests of the university and the System. The president must develop university procedures for establishing, maintaining, administering, and assessing the university's strategic pricing programs.
 - ii. The chancellor, in consultation with the presidents, will establish the expectations and framework for sharing information in support of university strategic pricing proposals. The framework must include a description of the proposed multiyear pricing strategy, supported by proven strategies founded in research; an analysis of the cost, benefit, and risk to the university based on a range of possible outcomes; and demonstration of adequate administrative capacity, as well as administrative and financial capability.
 - iii. Biennially, the president will provide to the chancellor an assessment of any in-state tuition strategies that have been approved by the Board. The assessment must address, at a minimum, enrollment, total and net revenue, student access, student affordability, and student success.
- 2) The Board shall approve a basic tuition rate for those universities that do not have an approved pricing strategy. Undergraduate students enrolled in 12–18 credits in a fall or spring semester will be charged a full-time tuition rate, unless otherwise approved by the Board [see section D.1.a.1)]. The full-time rate is equal to the per-credit rate for 12 credits per semester. Undergraduate students enrolled in a fall or spring semester for more than 18 credits will be

charged a full-time tuition rate for the first 18 credits and the appropriate per-credit rate for all remaining credits.

- 3) The president may adjust tuition rate(s) to allow the university to establish partnerships with other institutions in collaborative/consortial arrangements. The chancellor, in consultation with the presidents, may adjust tuition rate(s) to allow the State System to establish partnerships with other institutions or entities in collaborative/consortial arrangements.
- b. Graduate
- 1) The Board will establish annually basic graduate in-state tuition rate(s) on a per-credit basis that recognizes the higher cost of providing graduate education.
 - 2) The president may set alternate graduate tuition rate(s), based upon such factors as the cost of instruction, the level of service provided to the student, market demand, and the level of tuition necessary for the university to offer programs.

2. Out-of-State Tuition

Students from other states and countries who enroll at State System universities add a richness of experience and diversity that benefits all students and their universities. However, those students must pay an additional amount of tuition, which offsets the Commonwealth's contribution intended to subsidize the education of Pennsylvanians. The president will establish annually out-of-state tuition rate(s) in accordance with the statutory requirement for a price differential between in-state and out-of-state tuition.

3. Technology Tuition Fee

- a. The Board will establish annually the technology tuition fee in a manner that is proportional to enrollment and domicile status (in-state/out-of-state).
- b. Technology tuition fee revenues shall be expended on instructional technology. These revenues shall be used for the direct benefit of students to help them achieve the learning objectives of their academic programs.

4. Implementation

The chancellor shall promulgate procedures and standards as necessary to ensure proper implementation of this policy.



PA State System of Higher Education Board of Governors

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POLICY 1999-02-A: TUITION

See Also:

Adopted: April 8, 1999

Amended: October 10, 2002, July 14, 2005, October 11, 2007, July 17, 2008, January 20, 2011, and January 26, 2017

A. Purpose

The Board of Governors has statutory authority to set tuition for Pennsylvania's State System of Higher Education. This policy articulates the basic philosophy, objectives, and guidelines of the System's tuition structure, providing a common understanding of the basis for establishing tuition for the State System.

B. Definitions

- **Capacity**—The optimum academic year full-time equivalent student enrollment at each university that most efficiently utilizes its facilities and faculty.
- **Cohort**—A specific group of students established for tracking purposes; commonly used in reference to the group of new students enrolling at a university in an academic year.
- **Distance Education**—An educational process in which the instruction occurs with the instructor and student in different locations. Distance education makes use of one or more technologies, including web-conference, to deliver 80 percent or more of the instruction for the course to students who are separated from the instructor and to support interaction between the students and the instructor synchronously or asynchronously.
- **Full-Time Tuition**—The tuition rate charged to undergraduate students enrolled in 12 or more semester credits.
- **Graduate Student**—A student who holds at least a bachelor's or first professional degree and is enrolled at the post-baccalaureate level, including nondegree students in graduate courses who may or may not be admitted to a graduate program.
- **Out-of-State Student**—A student who is not legally domiciled in Pennsylvania, as defined in Board of Governors' Policy 1985-03, *Student Domicile Regulations*.

- **In-State Student**—A student who is legally domiciled in Pennsylvania, as defined in Board of Governors’ Policy 1985-03, *Student Domicile Regulations*.
- **Technology Tuition Fee**—A separate tuition fee established by the Board of Governors for rendering technology resources and services to enhance student learning experiences.
- **Tuition**—The basic fee established by the Board of Governors for rendering educational services, as enumerated in Act 188 of 1982. The technology tuition fee is a form of tuition.
- **Undergraduate Student**—A student in a bachelor’s degree program, an associate’s degree program, a vocational or technical program below the baccalaureate level; or a nondegree-seeking student matriculated in a lower or upper division course.

C. Policy

1. Undergraduate Tuition

- a. The Board of Governors will establish annually undergraduate in-state tuition rate(s), based primarily on the financial requirements of each university within the System and the Commonwealth’s commitment toward meeting those requirements. Secondary consideration will be given to other factors, such as change in enrollment demographics, family income, financial aid availability, inflation, and relative standing in terms of tuition charges at peer institutions of higher education.
- b. Undergraduate students enrolled in 12–18 credits in a fall or spring semester will be charged a full-time tuition rate, unless otherwise approved by the Board of Governors (see section C.1.e.). The full-time rate is equal to the per-credit rate for 12 credits per semester. Undergraduate students enrolled in a fall or spring semester for greater than 18 credits will be charged a full-time tuition rate for the first 18 credits and the appropriate per-credit rate for all remaining credits.
- c. The chancellor may adjust undergraduate in-state tuition rate(s) solely to allow the State System to establish partnerships with other institutions in collaborative/consortial arrangements.
- d. The Board of Governors will establish annually undergraduate out-of-state tuition rate(s) at a level to ensure that undergraduate out-of-state students are paying the System’s average net cost of education.
- e. The Board of Governors, upon recommendation of the chancellor, may consider alternative in-state and/or out-of-state tuition rate structures for individual universities, based upon such factors as the average net cost of undergraduate education; the goals and objectives of the university and the System; the degree to which universities are at, above, or below student enrollment capacity; the current relationship between pricing, cost, and student demand; the change to student payment amounts; and student affordability.

Presidents, upon the approval of their council of trustees, may request that the chancellor recommend an alternative tuition rate structure for their university.

- 1) Alternative methods of charging tuition may include, but are not limited to:
 - a) Charging per-credit tuition regardless of number of credits in which the student is enrolled.
 - b) Modifying the range of credits for which the full-time tuition rate is applied.
 - c) Charging different tuition rates to different cohort groups.
- 2) In addition, out-of-state tuition may be applied differently to out-of-state students based on the following demographic criteria:
 - a) Geographic region.
 - b) Academic program.
 - c) Scholastic and/or extracurricular achievement.
- f. Biennially, the president will provide to the chancellor an assessment of any in-state alternative tuition rate structures that have been approved by the Board of Governors. The assessment must address, at a minimum, enrollment, total and net revenue, student access, student affordability, and student success. Student-centered metrics must include an assessment of demographics, analysis of workforce earnings based on existing national and/or state data sets, and outcomes regarding status and time to degree attainment.

2. Graduate Tuition

- a. The Board of Governors will establish annually graduate in-state tuition rate(s) on a per-credit basis that reflect more accurately the System's average cost of graduate education.
- b. The Board of Governors will establish annually the graduate out-of-state tuition rate(s) at a level to ensure that graduate out-of-state students are paying the System's average net cost of graduate education.
- c. The chancellor, upon recommendation of the president, has the authority to adjust the graduate tuition rate for specific graduate programs, based upon such factors as the cost of instruction, the level of service provided to the student, and the level of tuition necessary for the university to offer programs.

3. Summer/Winter Session Tuition

The chancellor, upon the recommendation of the president, may set alternative tuition rates for summer or winter sessions.

4. Distance Education Tuition

- a. In-state distance education students, both graduate and undergraduate, will be charged at the appropriate prevailing per-credit resident rate.
- b. Out-of-state distance education students, both graduate and undergraduate, will be charged a per-credit tuition of at least 102 percent of the prevailing in-state

per-credit tuition rate. Presidents may set the out-of-state distance education per-credit tuition rate on a course-by-course or program-by-program basis.

- c. The chancellor, upon recommendation of the president, has the authority to adjust the in-state tuition rate for a particular course or program.
- d. This policy applies to students who are charged on a per-credit-hour basis. Full-time undergraduate students continue to pay full-time tuition, if applicable. The president may establish a full-time out-of-state undergraduate distance education rate based upon the per-credit out-of-state distance education rate for students enrolled 100 percent in distance education courses.

5. Technology Tuition Fee

- a. The Board of Governors will establish annually the technology tuition fee in a manner that is proportional to enrollment and residency status (in-state/out-of-state).
- b. Technology tuition fee revenues shall be expended only on instructional technology. These revenues shall be used for the direct benefit of students to help them achieve the learning objectives of their academic programs.

6. Implementation

The chancellor shall promulgate procedures and standards as necessary to ensure proper implementation of this policy.



CALU



CLARION
UNIVERSITY



Millersville
University



SlipperyRock
University



Pennsylvania's State System of Higher Education Collaborative Pricing and Regional Affordability Task Group

Pricing Strategies for Affordability: A Conceptual Framework

May 16, 2018

Co-Chaired by:

Michael A. Driscoll, President, Indiana University of Pennsylvania

James S. Dillon, Vice Chancellor for Administration and Finance, Office of the Chancellor

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Pennsylvania's State System of Higher Education

Pricing Strategies for Affordability: A Conceptual Framework

Executive Summary

In December 2017, the Collaborative Pricing and Regional Affordability Task Group was established to develop recommendations that align flexible pricing strategies with university efforts to achieve regional affordability. The task group proposes the following recommendations for tuition policy based on the concept that State System universities will serve more Pennsylvanians if their pricing strategies are flexible and student-centered, recognizing differences in each university's region, program offerings, and characteristics of the individual student—especially the student's ability to pay.

Draft Task Group Recommendations for Pricing Strategy

Undergraduate, In-State Tuition

The task group recommends a policy framework to allow for:

- Universities to determine their own tuition strategies and discounting rates/practices, within parameters. University tuition strategies may incorporate the wide variety of practices used across the nation in public higher education, including linear tuition models, tuition window models, and tuition guarantees, but all must include net price strategies to minimize financial barriers to student access and success.
- Presidents to justify to the Board of Governors, upon recommendation by the chancellor, the tuition rate, rate structure, and net price strategies proposed for their university.
- The Board to delegate tuition setting and discounting to presidents within approved strategies.
- The Board to approve a “basic tuition rate” for those universities that do not have an approved alternative pricing strategy, to be set at the three-year historical average increase in the System's basic tuition rate. The Board may change this rate for the upcoming year no later than at the regular April Board meeting prior to the start of the new academic year.
- The chancellor, in consultation with the presidents, will establish the expectations and framework for sharing information in support of these strategic pricing proposals.

Undergraduate, Out-of-State Tuition

The System's policy regarding out-of-state tuition plans has been successful and is similar to practices in 21 other states, allowing universities the ability to establish their out-of-state pricing. Therefore, the task group recommends that the setting of out-of-state tuition be delegated to the university presidents, in accordance with the statutory requirement for a price differential between in-state and out-of-state tuition.

Graduate Tuition

The task group recommends that the Board of Governors establish a minimum in-state graduate tuition rate (per credit hour), and that the setting of alternative graduate tuition rates be delegated to the university presidents rather than the current policy's delegation to the chancellor. In addition, presidents will set out-of-state graduate tuition, in accordance with the statutory requirement for a price differential between in-state and out-of-state tuition.

Pennsylvania's State System of Higher Education

Pricing Strategies for Affordability: A Conceptual Framework

Introduction

In December 2017, the Collaborative Pricing and Regional Affordability Task Group was established to develop recommendations that align flexible pricing strategies with university efforts to achieve regional affordability. It was anticipated that the work of the task group would culminate in recommended revisions to Board of Governors policies and/or System procedures/standards related to pricing.

Although this report primarily focuses on pricing approaches for in-state undergraduate tuition, recommendations are also provided for out-of-state and graduate tuition.

Hypothesis

State System universities will serve more Pennsylvanians if their pricing strategies are flexible and student-centered, focused on characteristics of the individual student—especially the student's ability to pay.

Each student has their own perception of a university's value based on a combination of quality and affordability. Affordability may carry a greater weight within the perceived value for a student with fewer financial resources and can be a barrier for a student's ability to attend a post-secondary institution.

To highlight differences in perceptions of affordability, following (see Figure 1) are three case studies of students, each coming from a family of four (two parents and one sibling). All three students are planning to attend the same state-owned university in Pennsylvania, will live in on-campus housing, and will have a meal plan. The estimated combined tuition, mandatory fees, room, and board at this university for the academic year totals \$20,350.

Each student has completed the Free Application for Federal Student Aid (FAFSA), which is the primary assessment of the family's financial strength to pay for one year of higher education. For each FAFSA completer, the U.S. Department of Education generates the Expected Family Contribution (EFC) that estimates how much a student and their family can afford to pay toward the student's education each year. The EFC is the major determinant for most forms of need-based aid, including federal Pell grants, state grants, loans, and institutional aid. The maximum expected family contribution to receive a Pell grant in 2017-18 is \$5,328. (U.S. Department of Education, 2017) Each example includes both anticipated state and federal grants—resources that do not have to be repaid—and the availability of federal student loans, which is part of the student's ongoing financial obligation.

Definition: Value Proposition

Students and parents associate a value proposition to higher education institutions when determining if the value of the degree is worth the cost. **The key components of the value proposition are quality and affordability.**

Quality includes perceptions regarding academic reputation, academic rigor, academic programs, preparation for post-college life, student completion and other measures of student success, location, social and athletic environment, facilities, housing, mission, etc. (Maguire, 2013)

Affordability has a different meaning for each individual based on their available financial resources and ability to pay. Affordability models recognize limits to appropriate financial burdens based on financial need assessments and tied to reasonable work commitments during school and reasonable debt levels for repayment afterward. (Prescott, 2014)

Figure 1: Examples of Affordability Based on Student’s Ability to Pay

Jack	Maria	Sam																																																																								
<p>Jack’s family combined adjusted gross income is \$36,000. According to the results of Jack’s FAFSA, the family’s EFC is zero (0). Jack’s financial aid package is as follows:</p> <table border="0"> <tr><td>Pell grant:</td><td style="text-align: right;">\$5,920</td></tr> <tr><td>PHEAA grant:</td><td style="text-align: right;">3,508</td></tr> <tr><td>FSEOG grant:</td><td style="text-align: right;">1,000</td></tr> <tr><td>Federal Direct Loan:</td><td style="text-align: right;">3,500</td></tr> <tr><td> (subsidized)</td><td></td></tr> <tr><td>Federal Direct Loan:</td><td style="text-align: right;">2,000</td></tr> <tr><td> (unsubsidized)</td><td></td></tr> <tr><td>Federal Work Study:</td><td style="text-align: right;"><u>2,000</u></td></tr> <tr><td>TOTAL AID:</td><td style="text-align: right;">\$17,928</td></tr> </table> <p>BILL</p> <table border="0"> <tr><td>Price</td><td style="text-align: right;">\$20,350</td></tr> <tr><td>Available Aid*</td><td style="text-align: right;"><u>-15,928</u></td></tr> <tr><td>Remaining Bill</td><td style="text-align: right;">\$4,422</td></tr> </table> <p><i>*Excludes work study as it is paid to the student as work is performed.</i></p> <p>With Jack’s financial aid package, and the fact that federal work study does not deduct from his bill since it is paid to him throughout the year based on hours worked on campus, Jack and his family will have to pay \$4,422 per year out of pocket to attend college. With a family adjusted gross income of \$36,000 and a zero EFC, his family is unsure how to afford his education.</p> <p>12% of the family’s adjusted gross income will need to be used to pay for school.</p>	Pell grant:	\$5,920	PHEAA grant:	3,508	FSEOG grant:	1,000	Federal Direct Loan:	3,500	(subsidized)		Federal Direct Loan:	2,000	(unsubsidized)		Federal Work Study:	<u>2,000</u>	TOTAL AID:	\$17,928	Price	\$20,350	Available Aid*	<u>-15,928</u>	Remaining Bill	\$4,422	<p>Maria’s family has an adjusted gross income of \$62,500. As a result of Maria’s FAFSA, the family’s EFC is \$5,372. Maria’s financial aid package is as follows:</p> <table border="0"> <tr><td>Pell grant:</td><td style="text-align: right;">\$0</td></tr> <tr><td>PHEAA grant:</td><td style="text-align: right;">3,508</td></tr> <tr><td>FSEOG grant:</td><td style="text-align: right;">0</td></tr> <tr><td>Federal Direct Loan:</td><td style="text-align: right;">3,500</td></tr> <tr><td> (subsidized)</td><td></td></tr> <tr><td>Federal Direct Loan:</td><td style="text-align: right;">2,000</td></tr> <tr><td> (unsubsidized)</td><td></td></tr> <tr><td>Federal Work Study:</td><td style="text-align: right;"><u>2,000</u></td></tr> <tr><td>TOTAL AID:</td><td style="text-align: right;">\$11,008</td></tr> </table> <p>BILL</p> <table border="0"> <tr><td>Price</td><td style="text-align: right;">\$20,350</td></tr> <tr><td>Available Aid*</td><td style="text-align: right;"><u>-9,008</u></td></tr> <tr><td>Remaining Bill</td><td style="text-align: right;">\$11,342</td></tr> </table> <p><i>*Excludes work study as it is paid to the student as work is performed.</i></p> <p>With Maria’s financial aid package, and the fact that federal work study does not deduct from her bill since it is paid to her throughout the year based on hours worked on campus, Maria and her family will have to pay \$11,342 per year out of pocket to attend college. With a family adjusted gross income of \$62,500, and an EFC of \$5,372, her family is unsure how to afford her education.</p> <p>18% of the family’s adjusted gross income will need to be used to pay for school.</p>	Pell grant:	\$0	PHEAA grant:	3,508	FSEOG grant:	0	Federal Direct Loan:	3,500	(subsidized)		Federal Direct Loan:	2,000	(unsubsidized)		Federal Work Study:	<u>2,000</u>	TOTAL AID:	\$11,008	Price	\$20,350	Available Aid*	<u>-9,008</u>	Remaining Bill	\$11,342	<p>Sam’s family filed the FAFSA and, with an adjusted gross income of \$119,000 and no assets, the family’s EFC is \$27,696. Sam’s financial aid package is as follows:</p> <table border="0"> <tr><td>Pell grant:</td><td style="text-align: right;">\$0</td></tr> <tr><td>PHEAA grant:</td><td style="text-align: right;">0</td></tr> <tr><td>FSEOG grant:</td><td style="text-align: right;">0</td></tr> <tr><td>Federal Direct Loan:</td><td style="text-align: right;">0</td></tr> <tr><td> (subsidized)</td><td></td></tr> <tr><td>Federal Direct Loan:</td><td style="text-align: right;">5,500</td></tr> <tr><td> (unsubsidized)</td><td></td></tr> <tr><td>Federal Work Study:</td><td style="text-align: right;"><u>0</u></td></tr> <tr><td>TOTAL AID:</td><td style="text-align: right;">\$5,500</td></tr> </table> <p>BILL</p> <table border="0"> <tr><td>Price</td><td style="text-align: right;">\$20,350</td></tr> <tr><td>Available Aid</td><td style="text-align: right;"><u>-5,500</u></td></tr> <tr><td>Remaining Bill</td><td style="text-align: right;">\$14,850</td></tr> </table> <p>With Sam’s financial aid package, Sam and his family will have to pay \$14,850 per year out of pocket to attend college, which is significantly less than his EFC of \$27,696.</p> <p>12% of the family’s adjusted gross income will need to be used to pay for school.</p> <hr style="border: 1px solid #4f81bd; width: 20%; margin: 10px auto;"/> <p><i>Even though the remaining bill for both Sam’s and Jack’s families is 12% of income, affordability will be a greater challenge for Jack’s family, as they have very limited disposable income.</i></p>	Pell grant:	\$0	PHEAA grant:	0	FSEOG grant:	0	Federal Direct Loan:	0	(subsidized)		Federal Direct Loan:	5,500	(unsubsidized)		Federal Work Study:	<u>0</u>	TOTAL AID:	\$5,500	Price	\$20,350	Available Aid	<u>-5,500</u>	Remaining Bill	\$14,850
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The three scenarios presented in Figure 1 provide a very different picture of affordability in each student's financial situation. A data-driven tuition discounting strategy could help make higher education more affordable to families like Maria's by offering additional financial aid to help offset the burden on her family. (For an illustration of these concepts, see Appendix A.) In addition, tuition discounting strategies can be used to help universities meet other goals, such as diversity or enrollment in particular programs of study.

The research conducted by the task group leads it to believe that this hypothesis is true, as presented in the remainder of this concept paper.

Background

The founding legislation of Pennsylvania's State System of Higher Education, Act 188 of 1982, specifies that the Board of Governors (Board) set tuition, that a tuition differential must exist between in-state and out-of-state tuition, that the president in conjunction with the student association sets the activity fee, and that the councils of trustees set all other university fees. To carry out this statutory authority, 12 Board of Governors policies and two System procedures/standards have been approved over the years that provide parameters for the setting and administration of tuition, fees, waivers, and scholarships.

Historically, the Board would set in-state undergraduate tuition as a single full-time rate that applied to students enrolled in 12-18 credits at any of the 14 State System universities. Universities were prohibited from using their operating funds for financial aid, since Pennsylvania's extensive state grant program, combined with federal aid and loan programs, typically could cover the costs of attending a System university for those with the greatest financial challenges. As state and federal grant levels have not maintained their purchasing power and economic downturns have placed greater financial challenges on families and the Commonwealth, State System universities have been providing limited institutional aid from their operating budgets since 2009, primarily based on demonstrated need.

Beginning in 2014, the State System began recognizing the differences in regional demographics, student demand, and each university's value proposition by allowing some local flexibility in pricing strategies. Through these alternative pricing structures, four universities now charge all in-state students based on the number of credits in which they are enrolled (with no full-time rate) and two universities are providing tuition guarantees to each new entering class of students.

Background: State System's Historical Tuition Setting

Historically, each July, the Board of Governors would set the tuition rate for the upcoming fall as follows:

UNDERGRADUATE

In-state—One rate for all 14 universities.

Full-time rate for 12–18 credits.
Part-time per-credit rate for 0–12 and >18 credits.

Out-of-state—150% of in-state rate, unless university has an alternative plan approved for a higher rate.

GRADUATE

In-state—One per-credit rate for all 14 universities; no full-time rate.

Chancellor may approve alternative rates for certain high-cost/high-demand programs.

Out-of-state—150% of in-state rate.

DISTANCE EDUCATION

In-state—Same as above, unless an alternative rate is approved by the chancellor for specific programs.

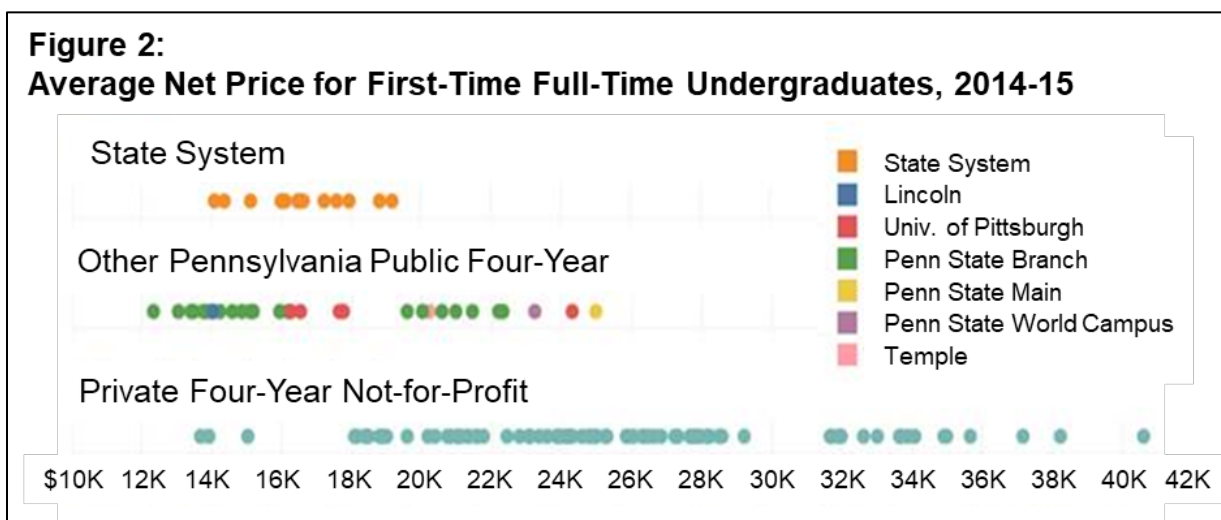
Out-of-state—Set by the president, at least 2% above the in-state rate.

Beginning in 2014, to promote increased enrollment and/or more closely align price with program costs, the Board of Governors approved universities to test methods of local pricing strategies targeting the net costs borne by a student. As a result, in January 2017, the Board amended tuition policy to allow for local tuition strategies. The above tuition structure currently applies to all universities, unless an alternative rate has been approved by the Board.

(Board Policy 1999-02-A, *Tuition*, 2017)

In 2017, the System contracted with the National Center for Higher Education Management Systems (NCHEMS) to conduct a review of the System. As part of its review, NCHEMS found:

- The State System universities have the largest share of low-income students among first-time freshmen in Pennsylvania, apart from the community colleges. Over time, however, more State System university students are coming from wealthier backgrounds. As a proportion of student enrollments System-wide, this increase in relatively affluent students contrasts with a decline in the share of students from middle-income backgrounds. (NCHEMS, 2017)
- The State System universities are generally—but not always—the low-cost alternative for baccalaureate education in the state. Figure 2 shows the average net price (which accounts for the full costs of attendance after grant aid) of first-time full-time students in 2014-15. The State System universities (shown in orange) are clustered among the least-expensive four-year institutions in the state; however, there are several private and state-related institutions that are able to remain competitive in net price with State System universities by implementing tuition discounting strategies. (NCHEMS, 2017)



(Source: NCHEMS based on NCES IPEDS)

Based on these findings, NCHEMS suggested the State System should:

- Adopt a strategic financing model that is a better fit for the varied circumstances facing the State System universities and that provides incentives for collaboration over competition. Rather than setting specific tuition amounts, the Board should set ranges for each university within which the council of trustees will have authority to set specific amounts.
- Recognize there are substantial differences among universities and regions and leave room in the authorized roles and actions of individual universities to capitalize on their strengths, serve their region’s specific needs, and provide incentives for local flexibility and ingenuity.
- Focus on affordability at each of the State System universities...address affordability for low- and median-income students, at a minimum. (NCHEMS, 2017)

These findings served as the catalyst for the creation of the task group and its efforts to develop a new tuition strategy for Pennsylvania undergraduate students that recognizes differences in each university’s value proposition due to regional demographics, mix of academic offerings, and each student’s ability to pay.

Methodology

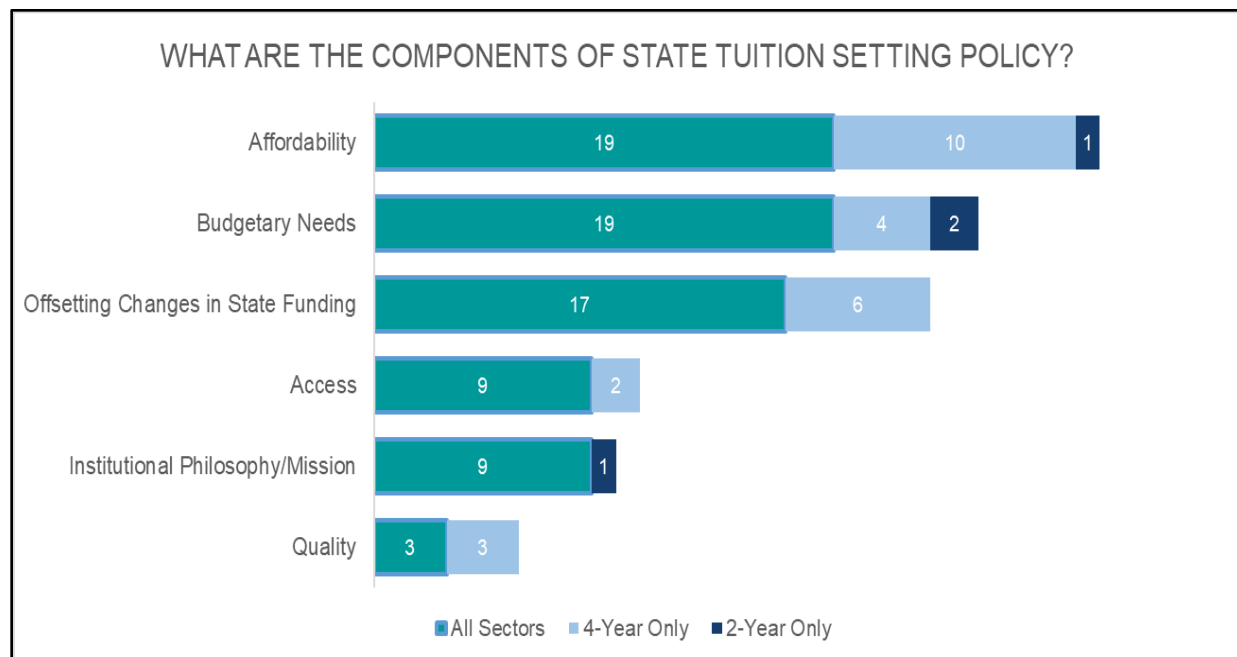
The task group researched pricing practices of other states, utilizing web-based resources of other systems and state higher education coordinating boards, and national resources such as the State Higher Education Executive Officers' (SHEEO) "*State Tuition, Fees, and Financial Assistance*," and the College Board's "*Trends in College Pricing*" and "*Trends in Student Aid*." In addition, members of the task group attended Academic Impression's workshop on Aligning Enrollment and Tuition Discounting Strategies, and the task group participated in a retreat hosted by EAB, focusing on higher education pricing practices and financial aid optimization. Appendix B includes some of the resources utilized by the task group.

National Landscape

Tuition pricing strategies (Primary source: SHEEO)

Public university systems across the country set tuition and fees each year for their institutions. For many, these actions occur in the late spring, often after appropriations have been determined through the state legislative process; however, some states set tuition or tentative tuition rates earlier in the year and/or set tuition for multiple years at a time (e.g., Alaska, as reflected in Appendix B). The policies, strategies, and authority by which this is done vary significantly. According to a recent study by SHEEO entitled "*The State Imperative: Aligning Tuition Policy with Strategies for Affordability*," most states adhere to a set of principles as a guide for policymakers in setting tuition rates. Figure 3 reflects that the most common tuition philosophies center around maintaining affordability for students and ensuring that institutional budget requirements are met. (Armstrong, 2017)

Figure 3:



(Source: SHEEO)

While affordability is an important consideration, very few states (32 percent of SHEEO’s survey respondents) have a unified strategy for affordability. Discussions have been occurring in many states regarding specialized affordability strategies, but few have actually been implemented. The most common affordability strategy implemented to date by states or systems has been tuition guarantee programs, with 12 states having at least some public universities offering a pricing guarantee to students (see Appendix C). Other affordability strategies that are discussed but rarely adopted include tuition rollbacks, pay it forward plans, and debt-free college. (Armstrong, 2017)

State systems employ a variety of pricing practices in setting undergraduate tuition. These practices fall into two categories: differentiation in price based on certain student/program characteristics, and models based on the number of credits attempted. These practices are not mutually exclusive.

All states adopt different rates of tuition for in-state and out-of-state students, recognizing the state funding subsidy for state residents. Of those responding to SHEEO’s survey, 21 states indicated that the out-of-state tuition differential is set by the university. (Armstrong, 2017)

Other forms of differential tuition are based on academic program (particularly for high-cost programs or programs whose graduates have potential for a higher income), location, student or course level, whether or not the course is credit-bearing, and by cohort. Figure 4 presents the variety of differential tuition practices, as reflected in the responses to SHEEO’s survey. (Armstrong, 2017)

Affordability Strategies Considered by States/Systems in last 5 years

Tuition guarantees allow students to pay the same tuition rate for the duration of their program or typically up to four years. (12 states)

Tuition rollbacks refer to state increases in appropriations to public institutions in exchange for institutions lowering their tuition rates. (5 states)

Pay it forward students pay no tuition while enrolled in college in exchange for having a portion of their wages garnished after graduation to pay back their financed education. (7 considered; none implemented)

Debt-free college uses financial aid and work-study to ensure that the student does not incur any debt upon graduation. (Ohio)

(Source: SHEEO)

Figure 4:

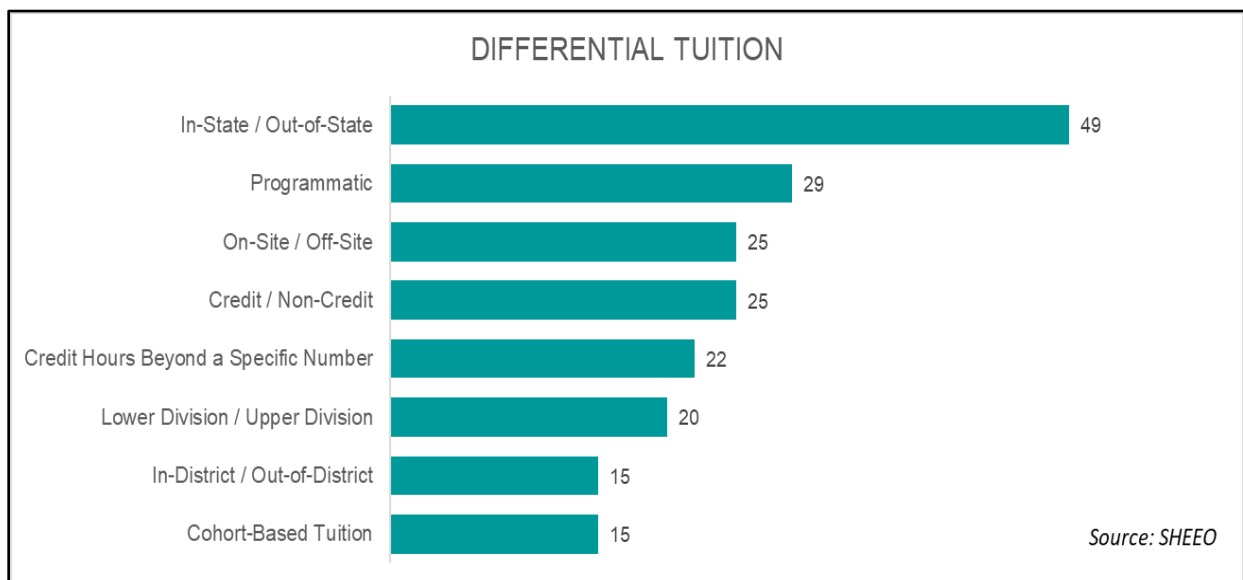
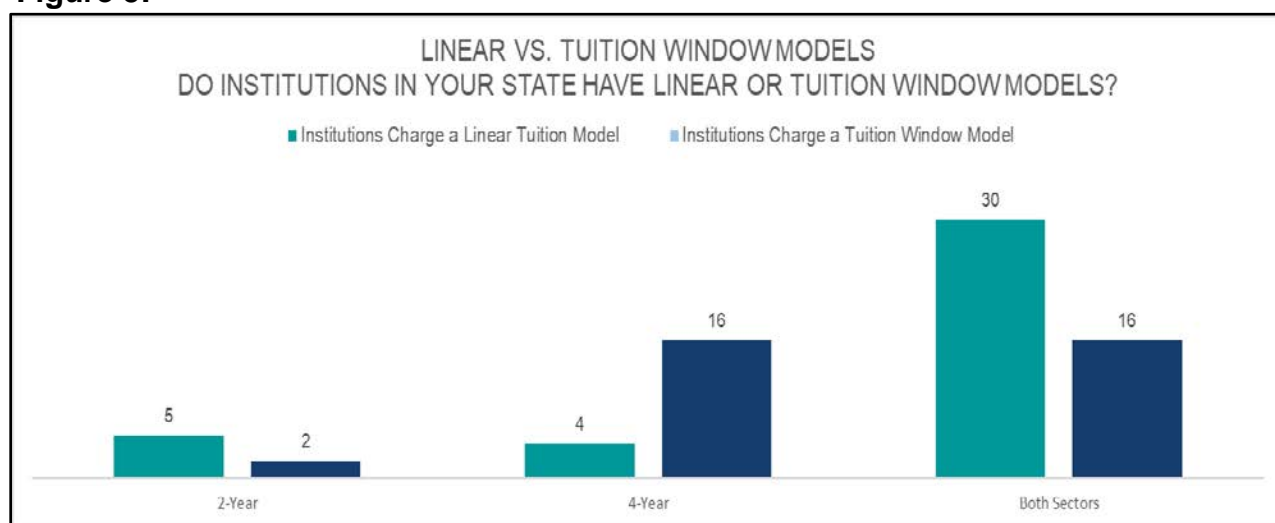


Figure 5 presents system uses of a linear tuition model vs. tuition window model.

- *Linear Tuition or Per-Credit Tuition Models* refer to tuition being charged for each credit for which a student is enrolled, regardless of the number of credits attempted.
- *Tuition Window or Full-Time Rate Range Models* refer to bands of tuition rates based on a range of credit hours for which a student is enrolled (also referred to as flat tuition). Tuition windows vary, ranging from a low of 6 credits to a high with no ceiling. More typically, windows may begin at 12 or 15 credits and be capped at 17 or 18 credits.

Based on the SHEEO survey responses, 26 states use a mix of linear tuition and tuition window models at their public four-year institutions. (Armstrong, 2017)

Figure 5:



(Source: SHEEO)

Tuition Discounting (Primary sources: *Academic Impressions and EAB*)

Although most states/systems have not implemented the high-profile affordability strategies mentioned above, most public higher education institutions/systems utilize institutional financial aid strategies to increase access, affordability, and completion. Public higher education institutions, as evidenced by the State System universities, continue to improve productivity and efficiencies, increase student success and completion rates, and realign academic program offerings to meet workforce needs and student demand—all with reduced public resources and growing unfunded mandates. To keep a higher education affordable in this environment requires both a resolute commitment to limiting increases in price and the strategic investment of scarce university resources through the appropriate distribution of institutional aid to those individuals who would not otherwise be able to afford to attend. (Prescott, 2014)

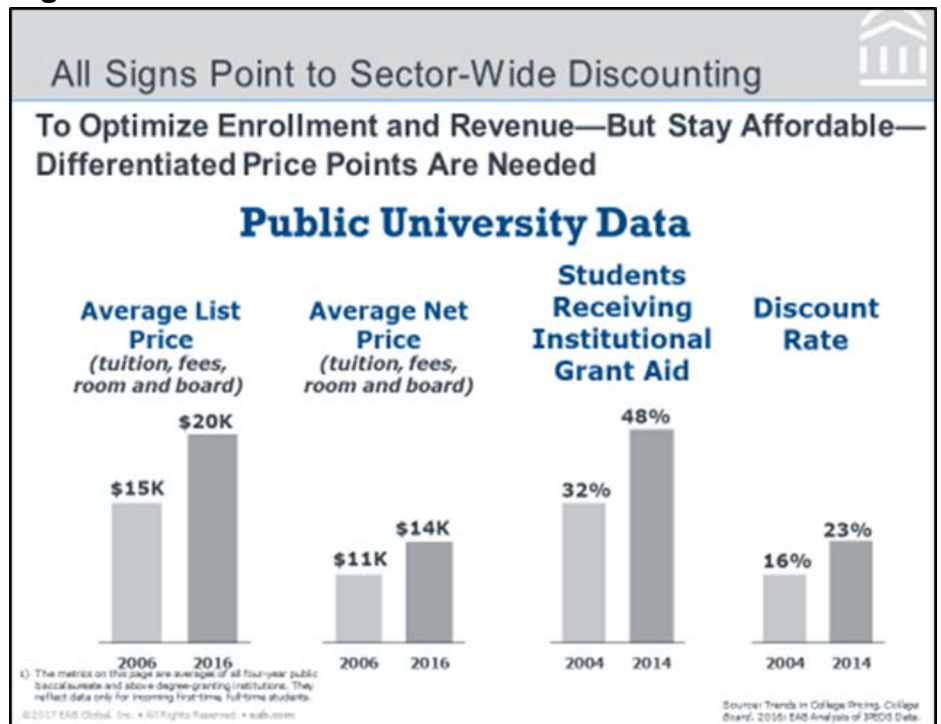
The provision of financial aid through university resources, referred to as tuition discounting, often focuses on the student's ability to pay; however, it may also be a tool to increase the perceived quality of an institution when also incorporating academic preparedness, other student skills and abilities, demand for certain academic programs, and other student characteristics into discounting strategies. Doing so gives the university the ability to adjust the profile of its student body in ways that will increase its value proposition—in both perceived quality and affordability.

Historically a private higher education concept, public universities have been employing tuition discounting to a greater extent in recent years, as state funding has been reduced and remains constricted, costs continue to increase, and affordability has become a barrier for some low-/middle-income students and prospective students. This response to increase the university's value proposition to the student and combat affordability highlights that a "one size fits all" approach to pricing is no longer effective in promoting student success and access. Each student has their own perception of a university's value based on a combination of quality, reputation, and affordability. Affordability may carry a greater weight within the perceived value for a student with fewer financial resources.

When tuition discounting is used as a tool to address affordability, the primary measure of the student's ability to pay is based on the federal needs analysis that results from the student's annual completion of the FAFSA. As highlighted earlier, for each FAFSA completer, the U.S. Department of Education generates the EFC (expected family contribution) that estimates how much a student and their family can afford to pay toward the student's education each year. The EFC is the major determinant for most forms of need-based aid, including federal Pell grants, state grants, loans, and institutional aid.

Figure 6 reflects the increase in use of tuition discounting by public universities over the most recently available 10-year period. Due to tuition discounting, in 2016 the annual net price a student paid for a public four-year university averaged \$14,000, compared to the average sticker price of \$20,000 for all public universities. Almost half of the students attending public universities received institutional financial aid, resulting in an overall average tuition discount rate of 23 percent. (EAB, *Current Higher Education Landscape*, 2018)

Figure 6:

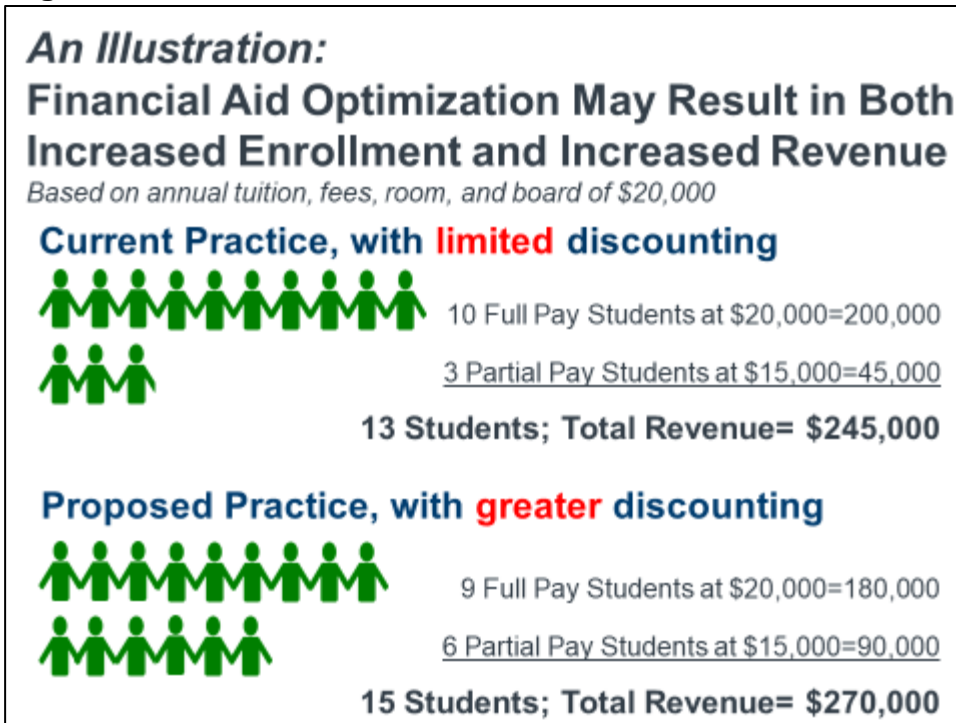


In comparison, current System policy allows for about 12 percent of tuition to be discounted, and approximately 27 percent of State System students receive institutional financial aid.

Affordability is a critical determining factor for some prospective students. Tuition discounting can be used to optimize both enrollment and net tuition revenue, while maintaining affordability, through differentiated net price to the student. Figure 7 provides a theoretical illustration of how the current practice of assessing essentially the same tuition rate to students, with little tuition discounting, may result in lower enrollment and therefore, lower net tuition revenue than if a university allowed more students to enroll at a reduced net price. If the value proposition can be

addressed, more of those individuals for whom affordability is a critical factor will see the value of attending the university and enroll. For example, giving an average discount of \$5,000 off an annual cost of \$20,000 for tuition, mandatory fees, room and board, may result in more students choosing to attend the university, paying for most of their tuition, and possibly purchasing student housing and dining services. The overall impact on the university may be both increased enrollment and net revenue.

Figure 7:



Institutional financial aid policies and practices impact a student’s net price—the price the student pays after discounts. Such practices incorporate the use of private gifts, restricted or unrestricted, for donor-based scholarships, whether held by the university or its affiliates (foundations, student organizations, etc.). Often scholarships may be housed in university departments and are awarded at the discretion of department leaders. To optimize the impact of scholarship awards as part of complete financial aid packages, the university financial aid offices must coordinate the award of all university-related scholarships, regardless of which part of the organization has control over those resources. However, not all discounting is a result of available scholarship funds. More often discounting is foregone revenue, as the university decides to reduce a student’s price without providing aid from another fund source. Although this practice may be tracked by identifying a “pool of funds,” the end result is less revenue to the university.

Net revenue—tuition net of discounts—and financial aid optimization models can be very unique from school to school. Most are sensitive enough to vary from student to student, with the goal of making a university affordable to students from various academic, financial, and family backgrounds; thus helping with student success to graduation. It balances the ability of some families to pay with the needs of some who cannot pay, better enabling State System universities to serve all students, including those facing the greatest financial challenges—the lower- and middle-income classes. Flexible pricing strategies focused on net price can support marketing and enrollment management goals by shaping the composition of the student body to

desired outcomes. For example, financial aid optimization may be used to target high need/high performing students.

Optimizing the use of university financial aid resources requires complex, multiyear student data analytics—utilizing financial need, majors/programs of study, ethnicity, geography, markets, region, demographics, academic profile, etc.—in order to develop a discounting plan that supports the university’s enrollment management goals. This analysis utilizes significant, historical institutional data and requires analytical maturity; therefore, discounting plans are often developed with the assistance of an external consultant who has expertise in financial aid optimization strategies. Discounting strategies are a balancing act of enrollment, aid to students, and net tuition revenue, all of which must be in alignment to leverage university resources effectively in order to reduce barriers to student success.

Financial aid optimization requires a multiyear commitment in order to produce an analysis with high statistical significance and to continue to modify the strategy based on new data and continued results. In order to be effective, the university must usually have available 3–5 years of institutional student data with the necessary fields from which the methodology will be developed. When a tuition discount is offered to a student, the discount needs to be a multiyear commitment to support students beyond the first year of school.

With a commitment to financial aid optimization, affordability moves from being focused on price, to being focused on net price. If prospective students complete the FAFSA in a timely manner, it would be possible for them to receive an estimated financial aid award package soon after they have been accepted by the university, as is the practice of most competitors. Most System universities send award packages to prospective students in December or January; however, the System’s current timing of tuition and fee decisions does not support the sharing of relevant or accurate price or net price information in these award packages.

To aid in recruiting and providing students and families with meaningful information on the cost of attending a System university before the student needs to commit, both the Board of Governors and councils of trustees should approve tuition and fee rates as early as possible. Some states set a tentative tuition rate almost two years in advance in order to support student financial planning.

Definition: Discount Rate

There are various definitions for discount rate. The following proposed definition combines explanations from both NACUBO (National Association of College and University Business Officers) and the College Board. Both of these organizations have partnered together to produce a nationally recognized periodic report on tuition discounting practices.

How to Calculate Discount Rate:

$$\frac{\text{Total institutional grant aid}}{\text{Total gross tuition and fee revenue}}$$

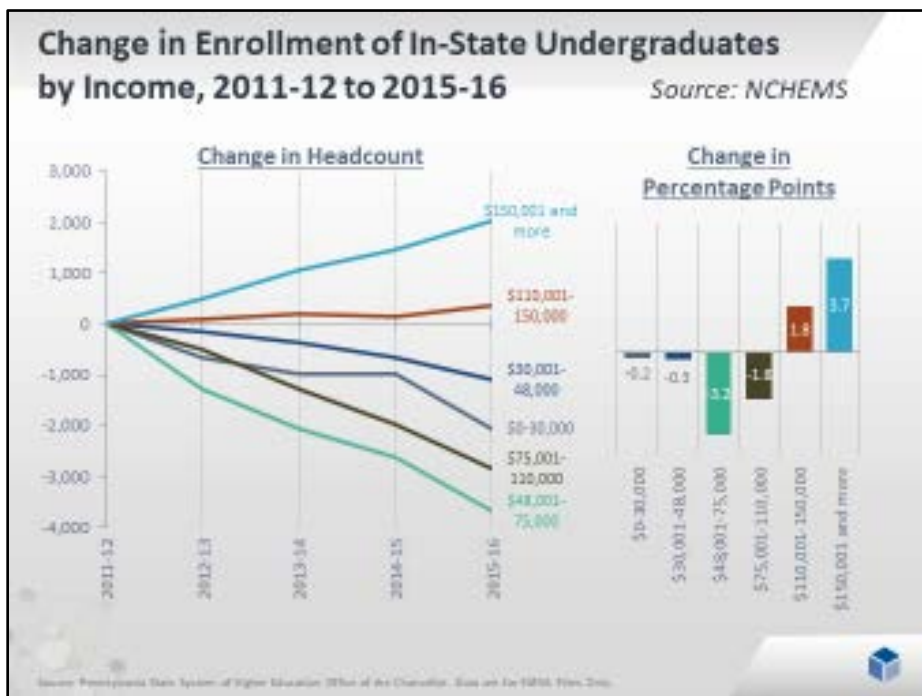
Definitions

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 includes any grants that were funded by restricted and unrestricted endowment income. It excludes: federal or state grant aid, private scholarships, institutional matches for externally funded student aid grants, transfers from the current fund to student loan funds, tuition waivers/tuition remission, 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) revenues. The discount rate is for all undergraduate students.

(College Board, 2017; NACUBO 2016)

Done properly, financial aid optimization will provide more equitable opportunities for students. In traditional pricing practices, often lower-income students are helping to fund higher-income students.

Figure 8:



Financial aid optimization provides a better balance between the ability of some to pay and the lack of ability of others to pay, thereby helping the System to reverse the trend in recent years of declining enrollments of low-/middle-income students (see Figure 8), by increasing affordability and access. (NCHEMS, 2017)

It also helps each university become unique in its marketplace, reducing competition among System universities as each adopts different strategies for certain markets. Employing net pricing strategies will allow universities to leverage their location—most students live

within 50 miles—as well as their distinctive role and scope. Universities continue to differentiate in mission, offerings, and market niche; financial aid optimization should capitalize on these differences, reducing destructive competition.

Aligning enrollment and tuition discounting strategies cannot be accomplished at a system level; there is not a “one size fits all” approach, since there are many factors that influence an individual institution’s costs, net tuition revenue, and enrollment. Levels of discount that an individual university can support may be affected by location, competition, demographics of student body, majors/programs and their demand, institutional mission, strategic directions, enrollment management and marketing plans, and more. Universities will need to identify specific institutional priorities and needs to develop the discounting plan that is the right fit for that particular university.

Concepts on which to Build a Pricing Strategy that Ensures Affordability within Institutional Pricing Flexibility

The task group adopted the following concepts on which to build its recommendations.

- “One Price for All” is a barrier to access, affordability, and student success. Independent, differentiated pricing strategies may improve student success.
- Affordability is a larger component of the value proposition for those with fewer resources; affordability has a different definition for each individual.
- Flexibility does not always equal increased price.
- Regional pricing recognizes regional economic differences in costs, household income, cost of living, and average buying power within the region.

- Enrollment, aid to students, and net revenue all need to be aligned.
- Net price is driven by price charged, availability of aid, and what the student can pay.
- Affordability is based on the net cost to student compared to ability to pay.
- Aid optimization maximizes enrollment and net revenue.

Draft Task Group Recommendations for Pricing Strategy

Undergraduate, In-State Tuition

The task group recommends a policy framework to allow for:

- Universities to determine their own tuition strategies and discounting rates/practices, within parameters. University tuition strategies may incorporate the wide variety of practices used across the nation in public higher education, including linear tuition models, tuition window models, and tuition guarantees, but all must include net price strategies to minimize financial barriers to student access and success.
- Presidents to justify to the Board, upon recommendation by the chancellor, the tuition rate, rate structure, and net price strategies proposed for their university.
- The Board to delegate tuition setting and discounting to presidents within approved strategies.
- The Board to approve a “basic tuition rate” for those universities that do not have an approved alternative pricing strategy, to be set at the three-year historical average increase in the System’s basic tuition rate. The Board may change this rate for the upcoming year no later than at the regular April Board meeting prior to the start of the new academic year.
- The chancellor, in consultation with the presidents, will establish the expectations and framework for sharing information in support of these strategic pricing proposals.

Example Framework

The task group agreed that a framework or “template for decision-making” by which universities can develop their pricing structures should be completed by each university for the review of the chancellor. It will also serve as supporting material for recommendations submitted for consideration by the Board. The framework will be designed to support the Board’s delegation of tuition setting authority and must include a description of the proposed multiyear pricing strategy, supported by proven strategies founded in research; an analysis of the cost, benefit, and risk to the university based on a range of possible outcomes; and a demonstration of adequate administrative capacity, administrative capability, and financial capacity.

The goal of the template is to highlight how the pricing strategy will improve student success and leverage university success in a collaborative fashion. Even if some strategies might result in serving fewer students, that outcome needs to be compared to how universities may need to reduce academic offerings due to budget constraints if new pricing strategies are not adopted.

The pricing strategy must include a biennial review to ensure it is meeting the goals and outcomes of the university’s pricing strategy. The review must address net revenue, enrollment, net price, affordability, and student success. Student success must at least include measures for persistence and graduation and other indicators identified in the forthcoming student success matrix. Even so, universities may need to make yearly adjustments to their pricing models to respond to changing conditions or missed predictions.

Undergraduate, Out-of-State Tuition

Out-of-state pricing practices were also discussed, with the following observations:

- Since 1999, the Board has approved university-specific out-of-state tuition plans that utilize various rates and recognize marketing efforts based on geographic location and/or academic preparedness or program. Over the years, universities have revised their plans to better align with enrollment goals and marketing plans. Some of the changes have been successful; those that were unsuccessful were later modified. Universities have shown the ability to manage, analyze, and revise out-of-state tuition strategies to enhance revenue and enrollment.
- The System should reevaluate the Board's out-of-state undergraduate tuition floor of 150 percent of the in-state rate. This level was established to ensure the policy objective of not subsidizing out-of-state students. The System monitors this objective annually by comparing the average cost to educate an undergraduate student to the out-of-state average student net revenue. Consideration should be given to a marginal cost rationale rather than a minimum out-of-state tuition rate based on average cost.

The System's policy regarding out-of-state tuition plans has been successful and is similar to practices in 21 other states, giving universities the ability to establish their out-of-state pricing. Therefore, the task group recommends that the setting of out-of-state tuition be delegated to the university presidents, in accordance with the statutory requirement for a price differential between in-state and out-of-state tuition.

Graduate Tuition

In 2007, the Board of Governors revised graduate tuition policies so that all graduate tuition would be charged on a per-credit basis, regardless of the number of credits in which a graduate student is enrolled. It also delegated to the chancellor the ability to set alternative tuition rates for certain high-cost or high-demand graduate programs upon the recommendation of the president. Currently, 44 graduate programs at 9 universities have been approved for an alternative tuition rate.

The task group recommends that the Board of Governors establish a minimum in-state graduate tuition rate (per credit hour), and that the setting of alternative graduate tuition rates be delegated to the university presidents, rather than the current policy's delegation to the chancellor. In addition, presidents will set out-of-state graduate tuition, in accordance with the statutory requirement for a price differential between in-state and out-of-state tuition.

Collaborative Pricing

In order for the System to best serve the Commonwealth's and students' needs, the universities must work together to provide educational opportunities, especially in underserved academic programs and regions. Doing so requires collaboration, not only among System universities, but also with other partners, such as other universities, community colleges, school districts, and corporations.

State System universities have built an environment of collaboration, providing educational opportunities in various settings. These programs (see Appendix D) include:

- Joint majors, minors, and concentrations across System universities.
- Community college transfer/completion programs.
- Shared off-campus regional learning centers (e.g., Chincoteague Bay Field Station, Center City Philadelphia, Dixon University Center, and Cranberry Township Regional Alliance Learning Center).
- Dual-enrolled high school students and other arrangements with local school districts.
- Contracted educational services for local corporations.

Universities rely on a variety of flexible pricing practices in order to be effective with these educational collaboratives. Within current Board policy parameters, universities have sought and received approval from the chancellor for alternative pricing in support of most of these programs. For example:

- Dual-enrolled high school students may pay a significantly reduced tuition per credit on a space available basis.
- All System universities participate in the Passport Program, providing scholarships to top community college transfers.
- Corporations may pay a flat amount per course that at least covers instructional costs.
- Joint majors in high-demand fields may have a separately-approved tuition rate.

For universities to be more responsive to prospective collaborations with entities outside of the State System, the task group recommends that the authority to set tuition for collaborative programs be delegated to the presidents. However, it is recommended the authority to set alternative tuition rates for joint intra-System programs continue to rest with the chancellor.

Collaboration should be encouraged, not only through pricing flexibility, but also through revenue sharing. Universities that share students will need to determine the appropriate ways to share the costs and revenue associated with serving those students; the authority to do so is vested with the presidents. It is suggested that, in order to eliminate barriers to shared programs and courses, the Consortium Services Task Group should consider developing seamless, efficient models for serving students who enroll in courses at multiple System universities.

As the task group begins its second phase of work—reviewing how resources are allocated—it will consider incentives for collaboration in the distribution of state appropriations.

Collaboration

Definition

Working together to meet the Commonwealth's and student's needs for higher education, especially in underserved programs and regions.

NCHEMS Observations and Recommendations included several statements regarding collaboration:

The State System should be “promoting collaboration in order to better mobilize the System’s collective assets.” (NCHEMS, 2017, pg. 7)

The System’s “rigid pricing structure combines with a funding allocation mechanism within the State System that promotes competition among campuses—rather than collaboration—and fails to account for key differences in institutional contexts.” (NCHEMS, 2017, pg. 23)

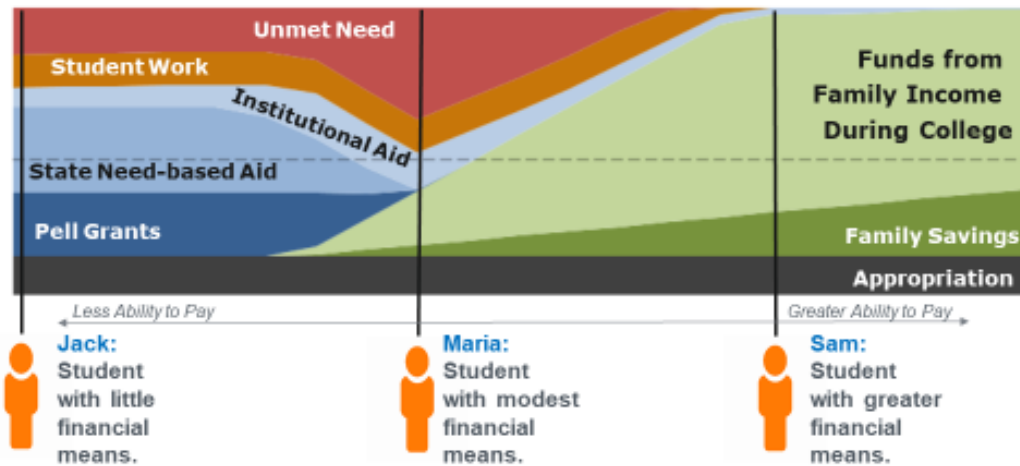
Universities should be restructured, “retaining their institutional identity and core capacities while increasing the academic programs offered in collaboration with other State System institutions, community colleges, and other postsecondary providers.” (NCHEMS, 2017, pg. 32)

The System should “establish a revenue-sharing policy that promotes collaboration across campuses...” (NCHEMS, 2017, pg. 42)

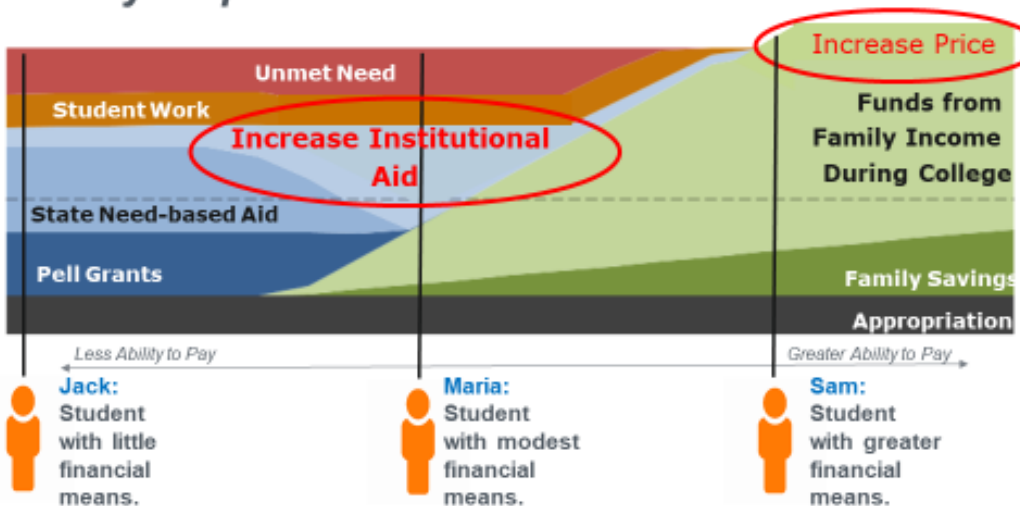
Appendix A Affordability and Ability to Pay

Note: These examples display sources of funding for each student's education, based upon their financial situations. Unmet need reflects the amount the student owes beyond the expected family contribution (EFC) and other sources. Student loans are excluded; they may be a resource available to address unmet need but still represent a student's cash outlay as they will be repaid by the student over time.

Affordability from the perspective of the family's ability to pay *Resources available to pay for education*



Impact of Greater Pricing Flexibility *Some may pay more in order to create more ability 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.

Appendix B

Highlights of Concepts/Practices from other States

(See “References” for sources used in this appendix.)

Processes

Ohio—Ohio law allows higher education institutions to adopt tuition guarantee programs. Four-year institutions interested in doing so are required to submit the rules that govern the proposed tuition guarantee programs to the chancellor for approval prior to its implementation.

- Institutions should submit the rules and board resolution to the chancellor’s office.
- Institutions are encouraged to work with the chancellor prior to official Board of Trustees action in the event the chancellor has concerns or suggested modifications to the program rules.

Once the submission is complete, the chancellor’s staff will make a recommendation within a reasonable time. Following the required two-week public comment period, the chancellor may approve the request.

Maryland—Tuition rate guidelines are negotiated between the chancellor and presidents each winter and proposed to the Board of Regents. If universities propose a percentage change that differed from the guidelines, it needs to be justified. After the Board approves the consolidated operating budget request, tuition and mandatory fees may be altered only by agreement of the Board. The governor approves the state’s budget in April; tuition is approved by the Board in May.

Kentucky—In June/July of the prior year, universities send tuition increase recommendations to the Council on Postsecondary Education. Kentucky has two major research universities, several regional comprehensives, and trade/technical colleges. The Council sets a ceiling for each institution’s tuition and mandatory fee increases. Universities typically recommend increases close to the ceiling. The local board makes the final decision. Kentucky ties tuition increases to the financial needs of the universities, including mandatory increases for pensions and differences in wealth of service areas. The state legislature passes two-year budgets. The local board approves tuition rate adjustments for two years, but reserves the right to make changes in the second year. Tuition is set by March 31 every year.

Virginia—Each university’s Board of Visitors may set tuition and fee charges at levels it deems to be appropriate for all resident student groups based on, but not limited to, competitive market rates.

Oklahoma—The State Regents set student fees and tuition at institutions in the System. By January 1 of each year, the State Regents submit a report of tuition and fees approved for the current academic year to the governor and legislature. The annual report includes data on the impact of any tuition and fee increases on the ability of students to meet the costs of attendance, enrollment patterns, availability of financial aid, and any other data considered relevant by the State Regents.

Factors and Guidelines

Maine—The Board of Trustees establishes tuition and fee rates using the following factors and guidelines whenever possible:

1. Qualified residents should have reasonable access to the System’s higher education institutions. “Reasonable access” considerations include the availability of financial aid, state funding levels, and various other economic factors.

2. All institutions should attempt to effectively contain costs as a way of limiting increases in tuition and fee rates.
3. Tuition, fee, and room and board rates should be competitive.
4. Tuition rates should take into consideration annual state funding levels.
5. Tuition increases should be balanced to maintain quality while still supporting access and attainment.
6. Tuition rates should reflect institutional mission.
7. As a public institution, nonresidents should pay more than residents.

Kentucky—Tuition policy is responsive to access and marketplace; that is, the policy shall be based in large part on tuition rates at benchmark (peer) institutions in neighboring states and shall consider the need for economic access to higher education for Kentucky residents. The Council shall conduct periodic surveys consistent with the following tuition-setting principles:

- Maintain tuition levels for Kentucky residents as a reasonable percentage of per capita personal income (PCPI), with concomitant recommendations for adequate funding for need-based student financial aid to ensure economic access to higher education.
 - Use all council-approved benchmark institutions as points of reference for determining tuition.
 - Differentiate tuition rates by type of institutions (community colleges, regional/master's degree-granting universities, and doctoral degree-granting universities).
 - Provide for stability of tuition rate increases from biennium to biennium (i.e., minimize fluctuations).
- A resident tuition objective, expressing tuition as a percentage of PCPI, is set for each type of institution.

Oklahoma—In its deliberation on the establishment of resident tuition rates for undergraduate and graduate education, the State Regents shall balance the affordability of public higher education with the provision of available, diverse, and high-quality learning opportunities, giving consideration to the level of state appropriations, the state economy, the per capita income and cost of living, the college-going and college-retention rates, and the availability of financial aid in Oklahoma.

Virginia—The 2016 General Assembly enacted legislation to enable institutions to offer “alternative tuition or fee structures to students that result in lower costs of attendance....” The legislation change encourages Virginia public institutions to lower the cost of attendance through features such as flat-rate tuition, discounted student fees or student fee and student services flexibility. As a result, Virginia’s universities have been adopting various pricing strategies, approved by each university’s Board of Visitors, including per-credit tuition, flat-rate tuition, and tuition guarantees.

Washington—Vision: “Every Washington resident who desires and is able to attend postsecondary education should be able to cover educational costs.” As a result of the 2015 legislative session, the state funding for public higher education increased \$191 million, and tuition was rolled back 20 percent. Tuition increases are tied to increases in the state’s median wage. Under this policy, for example, the proposed tuition for FY 2017 at research institutions would be nearly 23 percent of the median wage.

Timing

Alaska—Rates are approved by the Board of Regents after November 1 annually, approximately 21 months before implementation date, but they can change at any time. If the legislature funds the universities, tuition may be reduced. Tuition rates are based on three-year average inflation

rate adjustment provided by the university's chief financial officer. Discussion occurs only when the Board considers a president's recommendation for a tuition rate that differs from the inflationary rate, based on costs and/or availability of other revenue.

Georgia—Tuition rates for all University System of Georgia (USG) institutions and programs are approved annually no later than the May meeting by the Board of Regents to become effective the following fall semester.

Graduate Tuition

Georgia—Each institution that offers graduate programs requests a “core” graduate tuition rate that shall apply to all graduate courses and programs, based on market comparators for in-state and out-of-state tuition. Each institution may request separate graduate tuition rates for specialized programs.

Kentucky—For Graduate, Professional, & Online Courses—Public universities submit market-competitive rates for graduate, professional, and online courses, as approved by their respective boards, to the Council for approval.

How tuition is charged

Alaska—Tuition rates may vary among lower division, upper division, and graduate courses; central urban campuses, community colleges, and extended community campuses and other sites; residents and nonresidents; distance and on-site delivery, and different programs or courses. Students will be charged tuition on a per-credit-hour basis depending on the level of the courses taken, rather than upon the student's class standings.

Institutional Aid

Maryland—Each institution of the System is encouraged, to the extent feasible and prudent, to use institutional financial resources to supplement federal, state, and private financial resources in aiding students of all types who, in the absence of such support, may be unable to enroll in the institution. Institutional financial aid should also support the institution's particular mission and student clientele. Each university must have policy guidelines for awarding institutional aid that identify aid targets for certain student groups. Each university submits a report to the Board every October regarding the amount and proportion of aid funds awarded for each student category and the current university guidelines. Tuition increase requests must indicate the proportions of new undergraduate tuition revenues that will be allocated to institutional financial aid.

Virginia—State financial aid appropriations are given to the universities to distribute; some is awarded based on need, but some may be awarded based on merit.

Oklahoma—For any increase in the tuition rates, the State Regents demonstrates a reasonable effort to effect a proportionate increase in the availability of need-based student financial aid. The State Regents is responsible for disbursing state aid (similar to PHEAA).

Appendix C
Tuition Guarantee Practices in Other States
(See “References” for sources used in this appendix.)

Pricing guarantee programs (sometimes referred to as “locked rate” or “fixed rate” plans) exist at over 300 universities across the country. Some are mandated by state law; others are adopted by individual universities—public or private. Illinois was the first state to mandate tuition guarantees in 2005, and was joined most recently by North Carolina in 2016.

The rationale for adopting tuition guarantee programs varies, but the primary reasons for most center on improving price predictability and student success. Guarantee programs established by a specific university also have the added value of creating university distinction that may influence prospective student choice. Many factors contribute to successful guarantee programs, including the implementation of other student success initiatives and the predictability/volatility of state funding and standard tuition rate increases. Pennsylvania’s relatively stable and predictable funding environment and the System’s commitment to affordability may provide a greater level of predictability for multiyear pricing commitments than has been experienced in some other states.

The institutions with such programs include colleges and universities in 21 states and Washington, DC. The states included: AK, AL, AZ, CO, FL, ID, IL, KS, MD, ME, MI, MO, NC, NJ, NY, OH, OK, PA, TN, TX, VT, & WI. A partial listing of the public colleges and universities with guaranteed tuition programs includes:

- Northern Arizona University: The Pledge
- Ohio University: Ohio Guarantee
- Oklahoma Universities: Locked Rate
 - State law requires universities to provide an option to students for a “locked rate” or annual rate
- Texas A&M University:
 - The entire Texas A&M University System moved to locked rate tuition in 2014.
- Texas Tech University: Fixed Tuition
- University of Colorado: Out-of-State Tuition Guarantee
- University of Dayton: Four-Year Tuition Plan
- University of Illinois: Guaranteed Tuition Plan
 - Since 2004, all public universities in Illinois provide guaranteed tuition
- University of Kansas: Tuition Compact
- University of North Carolina: Fixed Tuition Program
 - “NC General Statute 116-143.9 required, beginning with the fall 2016 semester, tuition rates at all UNC institutions will be fixed for eight consecutive semesters for all bachelor’s degree-seeking freshmen who are in-state residents ...”
- University of Texas
 - at Dallas: All students have participated since 2007
 - All other UT campuses participate by law as of 2014
- Western Oregon University: Tuition Choice—Tuition Promise or annual tuition
- College of William and Mary
- University of Virginia—optional tuition guarantee

In January 2017, the Board of Governors was provided with:

- Analyses of tuition guarantee programs and their impact on retention and graduation at Northern Arizona University and University of Texas at Dallas; and,
- A review of state laws that mandates guaranteed tuition in Illinois, Texas, and Oklahoma.

One of the more recent states to adopt a voluntary approach to tuition guarantees is Ohio. Below are highlights of Ohio's experience with this program.

Ohio Tuition Guarantees Overview

Beginning in 2013, Ohio law allows higher education institutions to adopt tuition guarantee programs. All guarantee programs must be approved by the university's board of trustees, then submitted to the system's chancellor for consideration; a two-week public comment period is required before final consideration by the chancellor. All tuition, fee, room, and board rates are set by each university's board of trustees. Of the 14 public universities, the following nine have adopted tuition guarantee programs: Ohio University, Miami University, The Ohio State University, Bowling Green State University, The University of Akron, The University of Toledo, Wright State University, Cleveland State University, and Shawnee State University.

All universities' programs have the following in common.

- Participation is mandatory for all first-time, degree-seeking undergraduate students (new or transfers).
- All programs cover in-state tuition, fees, room, and board rates
- All cover four years
- Subsequent cohort increases in tuition will be based on
 - Average rate of inflation for previous sixty-month period,
 - Limits that may be imposed by the General Assembly,
 - Rate increase will be benchmarked against other Ohio four-year institutions' four-year rolling cost averages
- Automatic extensions of their guaranteed cohort price will be granted to those students called to military service.
- If an extension of the guaranteed cohort price is being requested, it must be done no later than one semester before the rate is to expire.
- If a student does not meet undergraduate degree requirements and does not receive an extension, they will be placed into the next unexpired cohort (cohort +1). If additional time is still needed, they will be placed into the next unexpired cohort (cohort +2).
- Universities are authorized to make modifications for effective and efficient administration of the program.

Some have unique program characteristics, such as:

- Students who have completed an undergraduate program may enroll in graduate level coursework at the tuition rate until their cohort period expires.
- Eligible students may complete as many undergraduate degrees, majors, minors, and/or certificates as they choose within their cohort period.
- Students enrolling in degree programs that require more than four years to complete will receive an extension of the cohort period for one additional year.
- Some guarantees apply to certain university campuses.
- Some guarantees apply to in-state and out-of-state tuition.

Appendix D

Current State System Collaborations with Flexible Pricing

Below are examples of some of the methods by which System universities collaborate to meet student demand and encourage student success in certain programs and regions that incorporate alternative pricing strategies for student success.

Intra-System Academic Programs

Two joint programs have similar pricing structures that charge tuition at 130 percent of the graduate per-credit tuition rate and waive all other fees (with the exception of the Technology Tuition Fee). This helps to ensure student success by maximizing any tuition reimbursements received from an employer, allowing students to complete either program with minimal out-of-pocket expense. The decision to offer these as joint programs leverages the strengths of the respective universities in the delivery of the programs and increases efficiencies by avoiding unnecessary duplication.

- *Kutztown and Millersville Universities*—Doctor of Social Work (DSW). Program is delivered online with the face-to-face learning component (one weekend per session) alternating between the two universities (eight sessions in program).
- *Millersville and Shippensburg Universities*—Doctor of Education in Education Leadership (Ed.D.)
 - Course distribution is almost evenly divided between two universities.
 - Shippensburg provides superintendent certification course sequence.
 - Millersville provides foundation and research courses.
 - Introductory course is team taught by one professor from each university.
 - Dissertation sequence is led alternately by professors on each campus, with dissertation committees having representation from both universities.
 - Supporting courses can come from either campus.

Similarly, *Clarion and Edinboro Universities* have a joint online Doctor of Nursing Practice (DNP) degree program as well as a joint Master of Science in Nursing-Family Nurse Practitioner certificate program that provide nonclinical courses online. Both programs have pricing structures that charge tuition above the regular graduate per-credit tuition rate, 130 percent and 110 percent respectively; universities charge their own fees. This allows the universities to offer these high cost/high demand programs, as they can recoup a greater portion of the costs of delivering the program.

Partnerships

- High Schools
 - Most System universities have partnerships with several school districts in their respective areas to offer reduced tuition rates for high school students to participate in university classes. Most of these agreements are on a space available basis, resulting in no additional cost to the university, but creating a recruitment pipeline.
 - The State System has partnered with Milton Hershey School to ensure all Milton Hershey graduates are domiciled in Pennsylvania and eligible for in-state tuition. In addition, *East Stroudsburg, Indiana, Mansfield, Millersville, and Shippensburg Universities* partner with the school to offer more focused and sustained support in the transition from high school to college for these students.

- *Indiana and Slippery Rock Universities* have become Preferred College Partners in the Pittsburgh Promise Initiative. The Pittsburgh Promise Initiative is a last-dollar scholarship program that provides up to \$5,000 per year, for four years, to students who have graduated from a Promise-eligible high school and meet other requirements. Preferred Partners in this initiative provide grants for room, board, or books to Promise-eligible students who are accepted to their institution.
- Community Colleges
 - In 2001, the State System entered into a partnership with all Pennsylvania community colleges to provide annual full tuition waivers, known as the Special Academic Passport. Two outstanding students from each community college and Lackawanna College, as nominated annually by their presidents, are eligible for free tuition at the System university of their choice. These students are also members of the All Pennsylvania Academic Team, which is a program honoring academically talented and civic-minded students.
 - *Indiana University (IUP)* has a degree completion partnership with the *Community College of Allegheny County (CCAC), Boyce campus*, where students can earn a bachelor's degree in any business major while remaining on the community college campus. Students pay CCAC tuition rates for CCAC courses and IUP tuition rates and fees for IUP courses.
 - *Shippensburg University* charges a reduced tuition rate to out-of-state students who transferred from neighboring Maryland community college.
- Other four-year universities
 - *West Chester University* has developed collaborations, partnerships, and education abroad opportunities with several universities in China in order to expand the university's global footprint.
- Businesses
 - *Shippensburg University* has created a Mechanical Engineering program that will generate much needed engineers for the Volvo plant that was recently relocated to the Shippensburg area, as well as several other manufacturing plants in the region. This program has led to several students receiving internships at the Volvo plant, graduates gaining employment at the plant, and plant employees earning degrees at the university.

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PA State System of Higher Education Board of Governors

Effective: January 11, 2001

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POLICY 1984-08-A-RBOARD OF GOVERNORS' SCHOLARS PROGRAM

See Also:

Adopted: June 19, 1984
Amended: October 15, 1985; January 12, 1989; and January 11, 2001
Rescinded: July xx, 2018

~~A. Purposes~~

- ~~1. Each university is authorized to waive basic fees or tuition for not more than two percent of the university's full time equivalent enrollment.~~
- ~~2. The chancellor is authorized to grant individual university requests to extend up to 1/10 percent additional Board of Governors' scholarships to participants in articulation partnerships with underserved school districts, and for participants in the State System Partnership program.~~

~~B. Procedures~~

~~The following procedures are applicable to the Board of Governors Scholarship Program:~~

- ~~1. A university's maximum allotment of waivers under this policy will include all students enrolled at any one time but will exclude all students receiving waivers under any other program providing basic fee or tuition waivers.~~
- ~~2. Waivers will be granted to serve the needs and best interests of the university and its undergraduate resident students and will include, but not be limited to, fulfillment of desegregation plan commitments, minority students, academics, leadership, and performing arts. Beginning in spring 2001, at least 50 percent of the waivers that a university grants beyond one percent will be used to help increase the numbers of resident students enrolled as mathematics, science, or technology majors, or in other areas identified as high need, including math and science education and teacher preparation programs designed to serve urban or rural communities. No waivers will be granted for athletics.~~
- ~~3. Waivers will be reviewed and decisions made on renewals each academic year.~~

- ~~4. Each university will develop criteria and procedures for the award of waivers, which will be disseminated within the university community. A copy of the university criteria and procedures will be filed in the Office of the Chancellor for review. For each recipient, all Pell, PHEAA, and other aid should be exhausted and the difference then waived.~~
- ~~5. At the beginning of each semester or session, each university president (or designee) will submit to the chancellor a list of undergraduate resident students who have been awarded waivers including the names, addresses, classifications, and majors of the students and the reasons for or categories of waivers.~~
- ~~6. The two percent figure to be used in determining the number of available waivers for any current academic year will be based upon the university's full-time equivalent enrollment for the fall semester of the preceding academic year. Each university will submit the aforementioned full-time equivalent enrollment figure to the chancellor or his/her designee as quickly as possible following closure of the fall registration period. No commitments for waivers will be granted until the enrollment figure has been submitted to the chancellor.~~
- ~~7. No other fees will be waived under the terms of this policy.~~
- ~~8. This program will be in effect under the above procedures, January 11, 2001, and will continue, subject to periodic Board review to determine its continuing effectiveness.~~



PA State System of Higher Education Board of Governors

Effective: January 18, 1996

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Policy 1996-01-A-R: Sources of Funding for University Scholarships

See Also:

Amended: April 2, 2009; January 20, 2011; April 10, 2014; April 7, 2016; and
November 13, 2017

Adopted: January 18, 1996

Rescinded: July xx, 2018

~~A. Purpose~~

~~To provide flexibility for universities to award institutional scholarships from unrestricted funds. This policy does not apply to scholarships supported by restricted funding sources.~~

~~B. Definitions~~

~~**Institutional scholarships**—University-funded financial assistance to a student for the purpose of undertaking for-credit course work not to exceed the full cost of attendance less other grant awards.~~

~~**Instructional fees**—Mandatory fees that may be used to support general instructional operations and academic facilities needs. These fees may be used to cover unusual costs of certain special programs such as music instruments, practica, instructional equipment, required course/university tests and examinations, laboratory supplies, course-required field trips, student teaching, clinical experiences, or related activities.~~

~~**Need-based institutional scholarships**—Institutional scholarships for which eligibility is based upon an analysis of financial need, to include information reported in the Free Application for Federal Student Aid (FAFSA).~~

~~**Restricted funds**—Resources received with purpose restrictions imposed by a donor or an agency outside the State System. The funds must be expended according to the specific directions of the donor or external agency. Examples of entities that can cause funds to be classified as restricted are the Commonwealth of Pennsylvania and its agencies, the federal government, and corporate or individual donors. Unrestricted funds have no restrictions placed on them by donors or external agencies.~~

~~C. Administration of Need-Based Institutional Scholarships~~

- ~~1. Need-based institutional scholarships may be granted to students who meet the following criteria:
 - ~~a. Domiciled in Pennsylvania.~~
 - ~~b. Have completed the FAFSA for the award year.~~
 - ~~c. Have demonstrated financial need.~~
 - ~~d. The total financial aid awarded does not exceed the cost of attendance.~~~~
- ~~2. Presidents must develop university procedures for establishing, maintaining, and administering a need-based institutional scholarship fund. University procedures must include funding expectations, not to exceed 10.0 percent of the prior year's gross tuition and fee revenue, or higher limits if established by the chancellor. University procedures must be approved by the university council of trustees.~~

~~D. Funding of Institutional Scholarships that are Not Based on Need~~

~~—Subject to the recommendation of the president and approval of the university council of trustees, as part of the annual university budget approval process, the following sources of *unrestricted* revenue may be used to fund institutional scholarships that are not based on need:~~

- ~~1. Gifts.~~
- ~~2. Unrestricted endowment income.~~
- ~~3. Corporate sponsorship.~~
- ~~4. Camp, conference, and similar event income (net of expenditure).~~
- ~~5. Net revenue from athletic concessions, snack vending machines, and licensing royalties.~~
- ~~6. Up to 10.0 percent of the prior year's gross nonresident tuition and fee revenue, or higher limits if established by the chancellor.~~
- ~~7. Other sources of revenue, as approved by the chancellor.~~

~~E. Restricted Scholarship Funds~~

~~—Nothing herein shall be deemed to govern the awarding of scholarships that are based on sources of funding which are specifically restricted for that purpose by an external source or donor.~~

~~F. Administration~~

~~The chancellor shall promulgate procedures and standards for the administration of this policy, which may include increases to the amount of unrestricted funds available for institutional scholarships.~~