

UNIVERSITY PLANNING COMMITTEE

15 November 2023

MINUTES

Attendees

Jay Brewster (Chair)	Kevin Groves	Tim Perrin
Sean Burnett	Jaye Goosby Smith	Dean Pete Peterson
Lila Carlsen	Connie Horton	Phil Phillips
Dean Paul Caron	Sara Jackson	Steve Potts
Lauren Cosentino	Matt Joyner	Greg Ramirez
Dean Deborah Crown	Lee Kats	Jeffrey Rohde
Dean Michael Feltner	Dean Farzin Madjidi	Dean Mark Roosa
President James Gash	Dayea Oh	Nicolle Taylor
		Kevin Wong

Absent

Rick Cupp	Gary Hanson
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Observers

Danny DeWalt	Petra Rickertsen	Jody Semerau
Seta Khajarian	Jonathan See	Nicole Singer

Guest Presenters

David Smith	Gabriella Yu
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I. Call to Order and Devotional

Provost Brewster called the University Planning Committee meeting to order at 8:30 a.m. in the Seaver Board Room. Lauren Cosentino presented devotional thoughts.

Tim Perrin and Dean Farzin Madjidi moved and seconded approval of the 13 September 2023 meeting minutes which were adopted.

II. FY25 Budget Process Timeline and Tuition Analysis

Nicole Singer reviewed UPC's responsibilities in the budget process. It was noted that budget conferences will occur in February 2024, and the final presentation to the Board in June 2024. Pepperdine's average tuition rate increase differential to core CPI was presented. It was reported that a positive differential is desirable, and that this is anticipated for FY25 with a minimum 4.3% tuition rate increase. FY23 tuition distribution was presented, highlighting that student aid increases would match tuition increases. Competitor pricing was presented between FY23-24, with Pepperdine at the largest percent change for GSEP EDOL, GSEP MFT, and SPP.

Members discussed how inflation, core CPI, tuition, and reputation affect each other. Presenting full tuition compared to net tuition was suggested. Members were reminded about balancing student debt and generating enough funds for strategic resources beyond cost coverage.

III. Core Revenue Landscape and Discussion

Dean Madjidi presented Graduate School of Education and Psychology data. Education division enrollment by program was presented, reporting an overall 28 student deficit. It was commented that education program tuition remains in line with competitors, but the online and hybrid spaces are priced higher than competitors. Psychology division enrollment by program was presented, reporting an overall surplus of 20 students on-ground and 501 students online. The MACLP was reported to be carrying the psychology online division as the two other programs are in significant decline. Concern for MACLP tuition was expressed regarding the Department of Education's post-graduation income to tuition ratio requirements. It was commented that price-wise, the programs are in line with competitors but the school is cautious to not price out of the market in the online space. Competitor pricing was presented. Pepperdine was reported at the highest percent change for GSEP Education, EDOL, and MAT. Student aid was marked as a challenge, and reported that spending was significantly over budget this year. The school reported action items, including strengthening education division marketing and recruitment, and proactively preparing for 2U partnership challenges. GSEP proposes an FY25 tuition increase at 3-4%, 4-5% for merit, and an 8% discount rate.

Merit proposal details included the need to retain staff and improve faculty morale. Members were informed that the school is applying a more agile core unit model across more programs. It was asked whether cost savings are associated with declining enrollment by reducing staff, and responded that the Education division is currently operating lean and efficiently.

Interim Dean Kats presented Seaver College data. Historical tuition and fee and net tuition per student data were presented, highlighting the above-average increase over the past two years. Discount rates were reviewed, reporting a relatively flat rate. Total cost of attendance was reviewed, and concern was expressed for the total cost nearing \$100,000. An environmental scan presented Pepperdine at the highest tuition and fees, and highest difference from the median of the lower 50 ranking institutions of the U.S. News Top 100. Pepperdine is reported as the fourth largest tuition and fee increase outside the U.S. News Top 50. A peer and competitor tuition and fee review ranks Pepperdine third highest. Influences of peer and competitor tuition and fee projection, inflation, and employment were described. Financial aid spending was reviewed, noting impacts of lower utilization last year. Seaver College proposes a 4.5% tuition increase for FY25.

Members discussed contributing factors to computing the cost of attendance, and how this has changed over time. Differing tuition rate strategies between institutions were compared.

Dean Crown presented Graziadio Business School data. Dean Crown commended PGBS faculty and staff for their work to assess and implement significant cost reducing changes while continuing to deliver their high-quality product. PGBS proposes to hold all programs' pricing steady. It was reported that collaboration between the Dean, CFO, CIO, and an external consultant identifies that testing this could result in a net positive change. Contributing factors presented included no fixed location for the school (this is a limiting factor for Seaver) and expense reductions. Decreasing demand was identified as a headwind. Change in applications were

presented by modality and program, with the hybrid space highlighted as an opportunity. Members were informed of PGBS' aspiration to implement a more agile core unit model. Competitor pricing was presented. PGBS is above the competitor median in four of the five MS programs, all four BSM and Exec programs, and both MBA programs. Concern was expressed that even with scholarships, the high cost prevents consideration. Faculty support for price reduction was reported, but the risks were presented as the reason for proposing to hold steady. Pricing between similarly ranked schools was compared, with Pepperdine at the top for AY24 FT MBA tuition. Members were reminded that national MBA demand decreases while the number of institutions offering MBAs increases, and that some competitor schools are offering 100% discount in addition to housing. Temporary pauses on development dollars and merit were noted and the importance of merit was emphasized.

Members discussed how prestige and pricing strategies impact application and enrollment rates. It was reported that the school is focusing on their international recruitment strategy to ensure no hyper-dependence on students from China. Difficulties with price sensitivity were presented.

Dean Caron presented Caruso School of Law data. FY25 anticipated challenges were presented, including U.S. News law school ranking changes and declining graduate law program enrollment. Increased weight to the Bar and jobs and decreased weight to reputation survey results were described as significant negative influences on Pepperdine's rank. Increasing the number of admitted students for whom the school's Christian mission is important was highlighted as an opportunity from the methodology changes. The school's financial position was reviewed. Members were reminded that the prior focus on increasing academic credentials led to decreasing the incoming class size, and voluntary reductions in faculty. It was reported that the school anticipates decreased spending on scholarship in an effort to move the discount rate in line with other years. 1L enrollment for FY24 is higher than budgeted, and the budget has increased for FY25. Total enrollment has continued to decline. It was commented that USC joining the market has hurt Pepperdine enrollment given their ability to discount. Net tuition, Straus Professional Skills, and graduate law programs' revenue were reviewed, highlighting the focus to build up the professional skills program as this program is not capped. Competitor pricing for tuition and fees were presented. It was commented that Pepperdine is increasing tuition in line with elite schools but this will be difficult to justify with the anticipated decline in CSOL's ranking. Declining average student debt was identified as a point of pride over the last ten years. It was noted that as the amount of scholarship the school is able to offer declines, this rate will increase. CSOL proposes a 3-3.7% increase to tuition and fees, noting that 3.7% would allow for a 3% increase in merit.

Dean Peterson presented School of Public Policy data. The school reported a second year of enrollment decline. Student characteristics for the class of 2025 were presented in comparison to the all-time average, highlighting an increase in average age, second-highest out-of-state enrollment, and highest all-time percent from recruiting partners. It was reported that the school experienced the lowest international enrollment in ten years, and that it is working with international student services to address opportunities for improvement. Stronger IMC engagement, new relationship building with prospective students, and additional scholarship

funding were reported as steps to increase enrollment. Current endowment prospects were presented. An overall discount rate drop was reported. Pepperdine is ranked at 13 nationally in tuition cost, with the highest increase compared to peers. SPP proposes a 2.75% tuition increase. Fully eliminating non-endowed scholarship and reflecting this in tuition, such that SPP relies only on endowed scholarship, was reported to be in consideration. It was clarified that the sticker price would be in the low 40's to high 30's range if this option is pursued.

A member requested detail on merit pool allocation. It was explained that there is one pool for the University, which is distributed by the Deans at the school level to an average of their specified pool (exceptions some years may apply). Concerns for the way data was presented in terms of labeling axes and data points, and choosing axis points to exaggerate differences was expressed.

IV. Washington, D.C. Campus Planning Update

Provost Brewster, Dave Smith, and Nicolle Taylor, in collaboration with Gary Hanson, have assessed Pepperdine's Washington, D.C. campus to consider the facility's future. Building specs, renovation history, space use, and inspiration from other institutions were presented. A vision for the space to better utilize and serve academic needs is reported to be forming. How a redesign would support increased partnerships, new programming, academic units completed, and tuition revenue was described. Active learning environments were presented as an opportunity. Next steps were reported including analyzing the building, listening and visioning with key community members, and performing market research. Members were informed that facility changes will take time, so the University is making expense modifications in the interim to make the building more attractive financially, until the point of implementing the new vision rises.

V. Adjournment

The meeting adjourned at 10:30 a.m. The University Planning Committee will next convene at 8:30 a.m. on 20 December 2023 in the Seaver Board Room.