UNIVERSITY PLANNING COMMITTEE
Meeting Minutes
January 13, 2021

Attendees

Ebony Cain
Paul Caron
Lauren Cosentino
Rick Cupp
James DiLellio
Michael Feltner
James Gash
Connie Horton
Sara Jackson
Lee Kats
Rick Marrs (chair)
Marilyn Misch
Tim Perrin
Pete Peterson
Phil Phillips
Jeff Pippin
Steven Potts
Greg Ramirez
Mark Roosa
Michael Shires
Nicolle Taylor
Deryck van Rensburg
Helen Williams

Absent

Gary Hanson

Observers

Juliano Bonavia
Danny DeWalt
Robin Gore
Nelson Granados
Ildiko Hazak
Seta Khajarian
Jody Semerau
Jonathan See

I. Call to Order and Devotional

Provost Marrs called the University Planning Committee meeting to order at 8:30 a.m. on January 13, 2021 via Zoom Meeting. Deryck van Rensburg presented devotional thoughts.

Helen Williams and Marilyn Misch moved and seconded approval of the minutes for November 18, 2020, which were adopted.

II. Office of Financial Planning Tuition Rate Environment Update

Juliano Bonavia started his presentation reviewing Seaver College and its competitors. He commented that the historical weighted average tuition increase of Seaver's top seven competitors consistently stayed around the 4% mark. In FY21, the competitor average decreased to 3.4% while

Seaver College increased to 3.8%. Looking at the five-year average, Seaver College increased tuition at around the same rate as USC over that time span. In FY22, USD has already announced that the university will keep its tuition flat from the FY21 levels.

For Caruso School of Law, the average increase was 3.6%. At the five-year average, Pepperdine had the lowest average change out of the listed private school competitors. Caruso School of Law also remains the lowest priced Los Angeles area private school in this peer group. This brought the competitor weighted average down to 1.3% compared to the increase of 3.5% in FY21.

Juliano Bonavia reviewed the programs at Graziadio Business School (PGBS). First he reviewed the full-time MBA programs. Both UCLA and LMU have kept their program costs flat. PGBS remains the third most priciest program in this peer group. Juliano Bonavia presented the five-year average rate increase which was 2.6%, similar to USC and below UCI and UCLA. For the fully employed MBA program there is a similar story. PGBS increases at 3.0% compared to 1.6% average of its competitors.

A similar approach is followed at Graduate School of Education and Psychology (GSEP). The Doctorate and Organizational Leadership program (EDOL) serves as a benchmark for the educational division. The program increased 3.7% in FY21. This marks a second consecutive year that GSEP has increased its tuition higher than its competitors. Looking at the five-year average, GSEP was below the averages of USC, LMU, University of La Verne and Azusa Pacific University. Pepperdine is the third most expensive program among its competitors. On the psychology division side, GSEP increased its tuition by 3.8% compared to the peer groups' average of 3.5%. GSEP has the lowest five-year average tuition rate increase at 2.7%. GSEP's per unit cost remains the second highest out of its peer group.

School of Public Policy (SPP) increased the tuition about the same pace as the list of the peer group by 3.3%. SPP remains the third highest priced public policy school in its peer group. The higher education pricing index (HEPI) is an inflationary index that is specific to the cost of providing higher education. The average differential of HEPI has decreased from the time period of FY12 to FY16. That averaged around 1.9% differential, whereas from FY17 to FY21 the differential was 0.5%. This indicates that the school's recent tuition rate increases are being suppressed to only cover annual increases in operating cost and are really only supporting strategic investments at a lower rate than the previous period of FY12 to FY16. In FY18 and FY19 there are pretty large increases of 5.3% and 6.1%. FY20 was lower due to the expense optimization measures from COVID-19.

III. Existing Market Conditions and Revenue Strategies

Seaver College
Presenter: Michael Feltner, Dean

Dean Feltner began by presenting the ten-year history of tuition and fees at Seaver College. The annual rate of tuition increase at Seaver College has been below 4%. Dean Feltner continued to present the US News top 75 schools tuition rate increases. Average tuition increase within the US News top 75 schools was 3.13% and the median was 3.66%. Seaver College tuition and fee increase was 3.78% last year. Dean Feltner noted that financial aid is another factor that affects tuition. Seaver's spending from designated aid sources, endowment and gifts has stayed relatively flat over time. Total aid spending is increasing at over 5% and Seaver's spending from its operational budget is increasing at 6.4% per year. The discount rate shows how much Seaver discounts the actual cost of tuition relative to the gross tuition amount. In FY20 the discount rate has increased to 46%, but it is still lower than it was in the last five years. Dean Feltner presented the graph that showed the net tuition per student basis over the past decade. Seaver is going to have to flatten the rate at which it is spending and it has to make some significant increases in terms of the budget. Dean Feltner discussed the effect of tuition increase on enrollment. Seaver asked its consultants at Maguire and Associates to look at the pool of students from last year. Maguire and Associates looked at tuition increases ranging from 0% to 4%. As the rate of tuition increased grows, the number of students Seaver is going to yield is going to decline. Seaver has to adjust how many students the school admits in order to yield the targeted number. Seaver is going to have to increase its admit rate. Dean Feltner reviewed total enrollment in the past years. Due to COVID, Seaver has experienced a significant decline in undergraduate students in the current year. For the first time, Seaver's enrollment is below its budgeted enrollment. Seaver has to increase fund raising and control spending on financial aid. Seaver needs to increase enrollment to offset COVID-19 declines.

The FY22 proposed gross tuition rate increase is 2% at the very low end, which will aid Seaver's enrollment recovery, it will decrease spending on aid and it will limit the size of the salary pool to 1% or less. There will be no FY22 strategic allocations. The median predicted increase of 3.25% will affect enrollment, so Seaver may have challenges meeting its enrollment target. But 3.25% will allow more for the salary pool and it may allow for modest FY22 strategic allocations and it would keep FY22 tuition and fees below $60,000. Dean Feltner is recommending for Seaver College for next year that they come in below 3% at 2.99%, which will keep Seaver College at or below median predicted increase. Also, 2.99% balances the need for revenue while demonstrating concern for students and families. Every quarter percent increase in tuition is about $500,000 in gross tuition and 3,300 enrolled students. At a 45% discount rate that is a net tuition of $275,000. This is 0.1% of Seaver's budgeted revenue for FY22.

Graduate School of Education and Psychology
Presenter: Helen Williams, Dean

Dean Williams began by presenting that Graduate School of Education and Psychology (GSEP) has a variety of programs and each program has its own pricing strategy. Each program is different and each one relates to different competitors. It creates a major challenge for GSEP to put together one tuition increase. Dean Williams reviewed the market challenges. GSEP's tuition is higher compared to its competitors. Dean Williams discussed the salary statistics. GSEP's faculty and adjuncts are not paid at the rate that others are. GSEP students are not able to garner the salary they want because of COVID. The students have major loans by the time they finish their education. Dean Williams noted that the marketing budget for GSEP has not increased in the past three years. GSEP's competitors are spending millions of dollars on marketing and drawing students away from Pepperdine. Dean Williams discussed the online cost differential. GSEP's competitors are charging a lot less than GSEP. GSEP students are asking for a decrease in tuition rate. Certification requirements are also a major problem for GSEP. Many students who apply are choosing to defer to a later semester. GSEP has received a high volume of complaints from students related to tuition increases in the climate of the pandemics. Dean Williams reviewed the margin. USC is not increasing tuition for FY22. The online psychology program is GSEP's lifeline. Regarding the discount rate, there is room to increase. In FY21, GSEP had to increase the discount rate because of COVID-19. GSEP is looking at discount rates for the next academic year between 11% and 13%. Dean Williams presented the historical tuition rate increases from FY16 to FY21. In conclusion, GSEP cannot make a recommendation that exceeds a 1.0% - 1.5% tuition increase including a merit pay increase.

Caruso School of Law
Presenter: Paul Caron, Dean

Dean Caron began presenting the Right-Sized Excellence, including improving JD student outcomes by reducing class size and raising student credentials, offsetting JD revenue shortfall by reducing expenses and increasing fundraising and annually ranking among the nation's top 50 law schools. The median LSAT has increased from 159 to 162 and the law school is shooting for 164 for next fall. The law school's undergraduate GPA has increased from 3.60 to 3.68 and the school is shooting for 3.74 next fall. Dean Caron presented the class distribution by index change. Last fall the law school set an all-time high in applications. Applications for the fall in 2021 are 45% above that all time high. The acceptance rate in the fall is 28%. Caruso School of Law accomplished all of this by reducing the size of the JD class by nearly 20% that has helped the school improve the student outcomes.

The law school makes up for the reduction of tuition revenue from having fewer JD students in three ways. First, by reducing the law school's expenses primarily by reducing the number of tenured and tenure-track faculty by 33%. Second, the law school has increased revenue through its online program. Caruso School of Law now has over 400 students in its online program. Third, the law school has increased fundraising. In its first 29 months, the law school raised almost 29 million dollars. In October 2019, the law school received a $50 million naming gift from Rick J. Caruso. He also agreed to help the law school raise another $50 million dollars for endowment over the next ten years. The law school raised over $80 million in a total of three and a half years. All of this has resulted in a dramatic rise in the US News ranking. The law school had to spend more on scholarships to attract students. The school is planning on spending less on scholarships in the fall. The law school had a large cohort of students demanding a discount on tuition because of the shift to online learning. Dean Caron commented that he heard that several law schools plan on freezing tuition for the fall. Caruso School of Law has a very high student loan debt. The average student graduates with over $140,000 of law school debt. Some students are graduating with over $300,000 of law school debt. Caruso School of Law's recommendation is to have a tuition discount rate of 3% for next year. The law school has to fund its faculty and staff.

Pepperdine Graziadio Business School
Presenter: Deryck van Rensburg, Dean

Dean van Rensburg began by sharing a quick synopsis. Dean van Rensburg commented that Pepperdine Graziadio Business School (PGBS) is an expensive school relative to its peers and relative to its ranking. The MBA program has been declining in the last ten years. The MBA program is 59% of the business school's revenue. It used to be 93% of the business school's revenue 12 years ago. Dean van Rensburg stated that 42% of the business school's portfolio revenue has zero capacity for tuition increases. Dean van Rensburg shared two charts of the FEMBA and FTMBA programs. When it comes to the MS portfolio the business school faces significant "price deltas". The business school's MS programs are very expensive. The BSM and Executive programs are more expensive than the competitors' programs. Dean van Rensburg presented the online part of the portfolios from 2U. Pepperdine is well above the regional average on tuition pricing for the online program. Regarding the full time MBA program, the return on investment is really important to students. The students pay $105,000 for the degree and their starting salary on average is $65,000. The ROI perception is not that great for the Graziadio's full time MBA program. Discounting is more becoming the norm as schools compete to attract great students. The elite schools are offering huge scholarships, an average of 50%, for the full-time MBA. Pepperdine's discount rate is 16% for the full-time MBA. For 42% of its revenue base Graziadio Business School is priced at the 31% price premium. So 42% of its revenue base is way outside the defensible pricing spectrum.

Graziadio Business School recommends that FY22 tuition rates essentially remain flat with FY21. On Graziadio's part-time programs the school can have 0% - 1.5% increase. On the executive programs the business school has no capacity to increase pricing, it has to be flat. The online program can have a 1% - 1.5% tuition increase. Dean van Rensburg commented that the pre-COVID budget-to-budget basis is inappropriate for 2022 P&L. Graziadio Business School needs the right-sized student aid and the school needs to incorporate the current actual spend as the budget or adjust revenue to align with the current student aid budget. The business school admits between 70 – 92% of students who apply. Dean van Rensburg noted that here is not a lot of capacity for increased revenue through relaxing standards.

School of Public Policy
Presenter: Pete Peterson, Dean

Dean Peterson began with a quick look back at FY21 enrollment. School of Public Policy (SPP) experienced enrollment increases in the third straight year. The school saw a doubling of completed applications to SPP as well as an increase in related admits. That did not result in a decline in the quality of the students. The average GPA is 3.45 for incoming students. SPP did see an impact of COVID in the decline of international students. Generally, 25% of incoming class is from overseas. This year, in the incoming class, there was only one international student. The deferrals are the highest in ten years. Around 56% of the students are from the CCCU network. Only 2% of the students were international students instead of 15-20% average. SPP is seeing positive signs as the school heads towards fall enrollment. SPP is seeing a tripling of applications to the Public Policy School. SPP is seeing 500% increase in the number of leads that have come to the school through the various marketing opportunities. SPP has seen a slight decline in SPP student indebtedness. Grad Plus loans dropped year over year by 15% and Stafford loans dropped by 2%. School of Public Policy is a fairly expensive program as it relates to the competition. Dean Peterson commented that SPP remains one of the top ten tuition schools in the nation. SPP is in the top two tuition schools in California. School of Public Policy's goal for tuition is to remain below USC and close to UCLA. School of Public Policy is proposing for next fiscal year a 2.75% increase.

IV. Room and Board Rate Trends and Rate Recommendations

Robin Gore presented information concerning room and board trends and recommendations for FY22 rates. Robin Gore commented that there are three goals for the presentation. The first goal is student engagement in the campus community. Pepperdine is a residential campus. Pepperdine has a first and second year live-on requirement. Pepperdine stands behind the ideal that all students should be living on campus if the university has the space. The second goal is revenue generation for the university. Pepperdine has a number of students living off campus currently. Pepperdine does not want to meet that goal because the university has high room rates, but the university wants to meet that goal because its beds are filled with students. The third goal is to set a price to entice rising juniors and seniors to re-join the campus community next year.

The room and board revenue is a 10-year average of 10.4%. Last year Pepperdine missed that mark as the university had to reimburse students when they left the campus due to COVID. This year Pepperdine will miss that mark as well, so the 10-year average will be impacted. The published rate for the room and board is $16,160 for first year students. This rate was not altered due to COVID. The 10-year average increase for the Seaver double room has been 3.72%. Last year there was an increase of 3%. The board plan 10-year average increase has been 3.66%. Last year it increased 3.5%. The 10-year national average is 3.9%. Pepperdine's 10-year average is 3.65. Robin Gore presented that 10-year adjusted published rates. In the last ten years the private nonprofit four-year schools have a combined 17% increase to room and board, whereas the public sector is at a 15% increase overall. Seaver room and board is the third highest compared to its competitors.

Pepperdine has three different housing on campus. The university has suite style halls where eight students are living in suites. This is where the residency is enforced and where Pepperdine traditionally rose the rates because this is where the bulk of Pepperdine's revenue comes from. The second housing is the shared bedroom apartments. This is where the juniors and seniors can opt to live. The third housing is the single bedroom apartments. Students want these single bedroom apartments and they fill up very quickly. Robin Gore commented that the off-campus market is 20% lower. Pepperdine's single occupancy apartments are 8% higher than off campus. Double occupancy suites are 20% lower to live off campus. Double occupancy bedrooms are 41% lower off campus.

Pepperdine Housing's recommendation is an overall 2% room rate increase. This overall 2% increase allows for Housing to keep its published rate down, apartment shared room rates to be more desirable and single room rates to be addressed. The 2% increase will help to cover projected university costs. Pepperdine is significantly above the recommended 20% higher than off campus housing rate. Malibu has viable off-campus competition and housing within a 30-minute drive. The number one deterrent to remain on campus is the cost. The board rate national increase average is 3%. Pepperdine Housing recommends a 4-5% board increase. Pepperdine Housing is asking for this increase because Housing is preparing to transition to a new food vendor provider. Pepperdine Housing believes that the new food vendor will want to increase the meal plan package. In summary, Pepperdine Student Housing is asking for a 4-5% published required meal plan rate increase and a 2.8% published rate increase for the first year, but overall a 2% increase, so that equals a 3% overall increase for FY22, landing Housing at $16,700.

President Gash asked the following question: "Do we expect, because of COVID, to be a decrease in the number of sophomores that study abroad next year? Will that create more demand for on-campus housing for sophomores?" Dean Feltner replied that he will be able to give an answer with greater certainty in mid-February. As of right now, Seaver is going to be fully enrolled in IP next year. Dean Feltner commented that he anticipates a very large freshman class in terms of room and board demand. Connie Horton commented that they anticipate more requests for off-campus exceptions. First-year students who experienced their first year off campus may be fighting the requirement to live on campus the second year if they enjoyed their off-campus experience. President Gash asked whether they are expecting an increase in the number of people requesting single rooms. Robin Gore commented that typically they have 56 single room requests. They do anticipate increased requests for single rooms. Dean Feltner commented that they do anticipate a large freshman class entering in fall 2021. Seaver's target is 939-940 students, but if the school yields higher than anticipated, Seaver could have a record high class.

Marilyn Misch asked what the expectation is for total enrollment for next year. Dean Feltner replied that the entering class enrollment last year was 830. The total enrollment for next year depends on where Seaver lands this year. If Seaver stays at the 3,274 number where the school is now, Seaver can get 100 students more than normal and Seaver will get back to 3,330 next year, which would put Seaver College right on its budgeted enrollment. Marilyn Misch asked the following question: "Is there a way to do university-wide what the law school did, which is to decrease our enrollments and go for higher quality?" Dean Caron commented that at the law school they have the highest enrollment in history, because they shifted so much of the program online. Marilyn Misch asked whether there is a different model they should be following for graduate schools. She commented that there are programs they need to get rid of as they emphasize other programs. Dean Williams commented that GSEP has been reviewing its programming in the past six years. They eliminated five programs that were low performing. They have implemented five new programs that are becoming much more productive. GSEP initially offered those five new programs as hybrid programs, but the school has shifted now to offering these programs as fully online. Dean Williams noted that these are challenging times for all programs. Provost Marrs commented that there is a lot of detail that he can provide regarding what is involved in downsizing. It is a laborious process and it also has to be balanced with the schools.

V. Adjournment

The meeting was adjourned at 10:32 a.m. The next meeting of the University Planning Committee will convene at 8:30 a.m. on February 17, 2021 via Zoom Meeting.