

Tuition Advisory Council
Tuesday, December 04, 2018

Present: Betsy LeClair, Matt Stillman, Leslie Eldridge, Dennis Slattery, Susan Walsh, Deborah Jones, Caroline Cabral, Johanna Pardo, Britney Sharp; Becca Evans, Kayla Fennell, Josh Lovern, Greg Perkinson.

The meeting started at 8:02am.

INTRODUCTION AND OVERVIEW

Council members and guests introduced themselves.

Walsh discussed the makeup of the Council, which includes faculty, staff, and students, and which also has advisors, for example Vice President for Finance and Administration Greg Perkinson and Josh Lovern, Senior Budget Analyst, who are present today, as well as others we may bring in for future meetings. Walsh said she thought it would be helpful to use this meeting to provide an overview of the budget process. The University has an annual budget, which is approved by the Board of Trustees. We take budgeting very seriously and work hard to keep costs down. She said we will also use this meeting to go over important terminology and concepts relating to tuition and fees and introduce the Council members to the budget pro forma. At the end, we hope there will be time for questions and answers. Walsh said that this is her 5th time chairing the Council; we've learned a lot about how to improve this process and we hope that the others on the Council will help us do even better. She said that this is important work and serious work, and she doesn't take it lightly at all. The Council will be discussing very real things that affect student lives, and we take that very seriously. Slattery said that he served for 4 years on the Board of Trustees and he wanted to echo what Walsh said. When the recommendation goes to the board it is strongly recognized and listened to at the Board level. The Council's recommendation carries a great deal of weight.

Lovern provided the Council with an overview of "Budgeting 101." SOU has several sources of revenue: state allocations, tuition revenues, and fees. The University's expenses include personnel, OPE, and supplies and services. Most of our expenses occur in the personnel expense lines. On the revenue side, for state allocations, the legislature allocates funds to the Public University Support Fund. The Higher Education Coordinating Commission (HECC) then uses the Student Success and Completion Model (SSCM) to allocate the Support Fund money to the universities. SOU receives its state funding based on the elements of the SSCM. Walsh said that 5 or 6 years ago the SSCM basically determined funding by looking at enrollment; now, funding is determined primarily by looking at degrees conferred. Because we are largely funded based on degrees conferred, the idea that we just get students in the door is not accurate. She added that the formula doesn't necessarily treat all universities the same. Lovern said that the model prioritizes different types of degrees; for example, STEM degrees bring higher compensation for us than some others. Our fiscal year is July 1 – June 30. Stillman

added an additional note about the SSCM: the model is predicated entirely off of Oregon resident students.

Lovern discussed tuition and fee revenue. He said that tuition rates vary depending on several factors, including class rank (graduate or undergraduate), whether students are resident, non-resident, or WUE, and whether they are taking classes online or in-person. He showed a graph of state support and tuition revenue from 1993 to the present. Walsh noted that in Academic Year 93-94, state funding made up a large portion of our revenue, while tuition and fees made up less. Since then, state support has trended down considerably and tuition has trended up. She said there's some context to these changing trends, including Measure 5, a tax measure which was passed in the 90s. In brief, property taxes went down and a lot of revenue was lost. Slattery clarified that the measure didn't actually reduce property tax, but limited property tax growth, while state spending continued to increase. He said this creates some disharmony in the system, but that's the way it is. Lovern said that as state support has lagged, tuition has had to make up the difference.

Cabral asked if the Council members will have access to the PowerPoint. Lovern said yes.

Lovern discussed the University's expenses. He said that roughly 80% of our budget goes to personnel and Other Payroll Expenses (OPE). This is faculty, admin, and classified pay plus OPE, which includes retirement, core benefits, and debt service. Slattery asked if this includes student workers.

Perkinson said one of the things interesting and frustrating with regard to OPE is how little latitude we have to influence the expenses there. In other contexts, you would look at how to adjust benefits packages in order to stay competitive, but we don't have that latitude. He said PERS (Oregon's Public Employees Retirement System) is the program that principally covers retirement, and the state is wrestling with how to come to grips with some unfunded liabilities. Slattery said he serves on Ashland City Council, and the PERS dilemma comes from a negotiation way back when that guaranteed a certain return. When the market doesn't perform to that level, then agencies and cities are forced to make up the difference. The people affected are already retired, so it's not like you can lay them off. He said it is acknowledged as a very bad negotiation result. Perkinson said he just attended a session at the Oregon Leadership Summit that discussed how on the medical side, with PEBB (Oregon's Public Employees' Benefit Board), we're also constrained in the costs. We have very little latitude to adjust the expenses we incur around OPE. Slattery said he told the governor that unless the state can come up with some relief we'll at some point be talking about cutting people. Walsh said she was glad Slattery mentioned that because we have to remind ourselves that these issues aren't abstract, we're talking about people.

Eldridge asked about how long we'll be dealing with the effects of these contracts and commitments. Walsh said there are different tiers of people who receive different benefits. Tier I people are generally close to retirement or already retired, and they are affecting this picture more than people in other tiers. Perkinson said that he has heard 2035 as one

projection of when most of the higher tier people will no longer be so expensive. He said there's a lot of data about the costs associated with PERS going forward. The cost curve goes steeply up. Slattery said we know that for the next 2 bienniums we'll have this unfunded mandate issue. Some people think that there might be some relief about 6 years in the future. Perkinson said we have the cost curve projection for the future and can share it.

Lovern said that the big picture of budgeting includes navigating operational pieces while trying to also maintain a strategic outlook. He said it's important to be aware that budgeting is a continuum, not something that can be captured in a single snapshot.

Lovern discussed the prior year. In Fiscal Year 2018 we saw 2.1% enrollment growth, the state allocations were somewhat tight-fisted, and the ending fund balance was strong at 11.7%. The University exited retrenchment, so we finally have some breathing room. Looking at the current year, we are currently projected to have an enrollment decline by around 4%. That's the overall enrollment projection. Our resident and WUE student enrollments are considerably down. If we were to take out Advanced Southern Credit and early high school students, our numbers would look a lot different. Walsh said that there are 3 levers that can affect our revenue: (1) enrollment, which is very unpredictable, but we do our best; (2) state allocations, over which we have very little control; and (3) tuition. Slattery said that the state allocations process will start somewhere in February and conclude work sometime in June probably, so there's a whole component we won't know until very late.

Lovern said that last year it looked like revenue would go up because of growing enrollment, so we budgeted for 2.5% growth. However, enrollment is down quite a bit, and we don't have the growth we budgeted for, so now we're looking at our ending fund balance dipping to less than 7.5%. That means that action is required now to reduce our budget.

Eldridge asked if we know why enrollment dropped. She asked if smoke might have been a factor. Walsh said we have some guesses, but this tends to be very anecdotal. We don't know what the Oregon promise has done. Lovern said the California promise may also have had an effect. Walsh said we had a lot of deposits from students who didn't end up coming, but we don't know the full story there. There are many factors that go into enrollment, so it's hard to know. She said that in California we were down 2 recruiters, which we didn't see coming, and the timing of reduced recruitment may have been a factor. Lovern said the economy is another factor. Walsh said that when the economy is bad, historically enrollment goes up, so a strong economy usually means less enrollment. Lovern said potential students have more job opportunities in a strong economy.

Sharp asked if we can tell if the drop in enrollment is because of fewer freshmen coming in or more people leaving. Walsh said that's a great question, and we can get into the weeds on that, but we spend energy on both. Stillman said that retention is pretty stable. Slattery said we can also look at other universities in the state and see their retention and recruitment numbers. Jones asked if we have enough staff to support retention. Walsh said she believes so, but our students are coming to us with a lot more different needs than previously.

Perkinson said if you think back to the big budget picture where we look at the prior year cycle and make strategic moves, one example of that would be invest in things like the EAB system that can help us flag students who might be at risk of not retaining so we can intervene. All of what we're discussing is connected at some level.

Lovern said that in the coming biennium the governor's recommended budget appears to say that universities can expect the same amount of support as they received in the last biennium. However, in effect this turns out to be a cut, because our PERS costs continue to go up. The governor's investment budget calls for a new source of revenue to fund education and other priorities at a higher level. It's not actually an investment the way we usually think of it, it's just maintaining current service levels. The governor has asked institutions to set tuition based on the aspirational investment budget. Going forward, the budget is set at the same level as in the last biennium. Eldridge said it appears we're being asked to budget around a very optimistic, imaginary budget. Lovern said it's difficult from a math standpoint to map out a scenario where we can only affect a few variables. Stillman said it's difficult in an administrative sense to wrap our brains around what version of reality we should be planning around.

Walsh discussed the makeup of the Tuition Advisory Council, its role, and the process. She said that the Council's recommendation may be required to go before the HECC depending on the amount of the increase. She said she's on a workgroup of the HECC around this issue and Oregon's House Bill 4141. There are 3 areas of focus that any university proposing to raise tuition by more than 5% will need to address. They will need to show the HECC (1) that they have fostered an inclusive and transparent tuition process, (2) that they are safeguarding access for traditionally underserved student populations, and (3) that there is financial need to raise tuition by more than 5%. She said this is still being worked on, but when it gets more finalized and is approved she'll follow up with the Council about what it means for us. She said that when it comes time to gather feedback from around campus on the Council's recommendation it will require participation from all of us on the Council to get the word out to our groups and hear people's feedback. Perkinson said we're thinking about using a presentation similar to this one to facilitate education in an open forum environment. We're considering whether it would be best to do one event or do it in modules. He said we want to create an environment where we bring students, faculty, and staff and create this dialog to facilitate feedback. Pardo said that cost issues are a focus of ASSOU this year, and it might be good to conduct a student-wide survey. Walsh said the HECC workgroup she's on has spent quite a bit of time talking about what student engagement really means. If you just have forums and people don't come then you haven't really engaged students. Pardo said it will be important not to just do one thing like a forum, but have other options. Sharp said there is talk about doing an affordability fair in the library, we want to give people a chance to understand and the resources available to help students lower their costs. We're looking at doing that during winter term, but we can be flexible about timing. Cabral said that in-person forums and feedback is really important, but it's also important for commuter students and others to participate, so we might look at social media campaigns and other ways to reach them.

Fennell asked if the minutes for these meetings will be sent out to all students. Walsh said we don't plan to send the minutes to all students in an email, but we will put them where students can access them.

Lovern asked about possibly recording meetings of the Council. Eldridge said she thinks there may be intense interest in these meetings, so we might consider making them public and announcing them. Perkinson said when the previous budget manager arranged for videos of open forum discussions to be created a couple years ago they weren't viewed online afterward. The effort and cost of producing them was not rewarded. Slattery said he would caution that we would have to do them well if that's the approach we take. He said he lives in this kind of environment in his work on the Ashland City Council and it is hard to do well. When you introduce cameras it inhibits people from speaking openly and honestly. We have to be free to have an open and honest conversation. Jones said she thinks of this like a workgroup, the members need to feel free to ask questions.

Pardo asked if the minutes will be available to the public. Walsh said yes.

Lovern said in future meetings we will discuss mandatory fees and the fund balance, and we will provide a budget pro forma, which is an elastic tool that allows you to plug in different tuition rates and other variables and see how the budget picture changes in different scenarios.

The meeting ended at 9:01am.