

Tuition Advisory Council
Monday, February 18th, 2019

Council Members (✓ indicates the member was present)

- ✓ Lee Ayers – Administrator
- ✓ Caroline Cabral – Student
- ✓ Leslie Eldridge – Faculty Member
- Dakota Gonzales – Student
- ✓ Deborah Jones – Classified Staff Member
- ✓ Betsy Leclair – Student
- Johanna Pardo – Student
- ✓ Dennis Slattery – Faculty Member
- ✓ Susan Walsh – (Chair) Provost and Vice President for Academic Affairs

Guests Present

Linda Schott, Greg Perkinson, Neil Woolf, Josh Lovern, Kayla Fennell, Andrew Zucker, Matt Stillman.

[NOTE: The voting membership of the Council changed as a result of the adoption of the Charter, though no votes were taken after that point.]

The meeting started at 1:33pm.

Cabral/Slattery moved to accept the minutes from the February 11th meeting with the correction of a couple typos; the motion passed by voice vote, 7Y/0N/0A.

TUITION ADVISORY COUNCIL CHARTER

Walsh invited discussion on the draft Tuition Advisory Council Charter [Tuition Advisory Council – Charter.pdf]. Slattery/Eldridge moved to approve the Charter; the motion passed by voice vote, 7Y/0N/0A.

Walsh introduced Lee Ayers, who will be the other administrator on the Council. Walsh said Ayers is the Director of the Division for Undergraduate Studies and also sits on the Higher Education Coordinating Commission.

ENROLLMENT UPDATE

Walsh said she and Perkinson met last Friday and decided it would be a good time to look at the Pro Forma and show the Council how they can use it to model different scenarios and see the effects on SOU's fund balance of changes to variables like enrollment numbers and tuition rates.

Perkinson said it might be best to start with an enrollment update. Woolf displayed the most current funnel report produced by Institutional Research [Admissions Funnel – Fall 2019 Week 32]. He said this provides a snapshot of our admissions activity compared to the same time last year. He explained that the funnel shows the number of applications, admits, and confirmed students. He said we're currently tracking ahead of the numbers for fall 2018 at this time by about 6.6% in applications. Stillman added that these numbers are measured by weeks before the start of fall term, and we're currently 32 weeks from the start of fall term. He said the timing is slightly weird this year because fall term 2019 will start a calendar week later (Monday, September 30th) than fall term 2018 (which started on Monday, September 24th). He said we use "weeks from start of fall term" because we have to have a constant to measure by and added a caveat that the numbers for fall of 2019 are probably slightly exaggerated because of the calendar week difference. Woolf said that though it doesn't give tons of information, this report gives an idea of whether things look good or bad. He said that confirmed students are students who have been accepted and who have deposited money to say they're coming. He said new students account for only 20-25% of enrollment, but looking at these numbers at least gives you an idea of how things look. He said we will also be tracking enrollment once registration starts so we can see how things look with our other student populations. He pointed out that our non-resident numbers are currently tracking ahead of last year at this time. Slattery asked if we know approximately how many students we'll need to replace. Stillman said it is too early to tell, though we do know that we're down in continuing students right now. He said this was expected because we were down in new students in fall term. He said there is no model yet of what it will look like going into fall term, but there is a likelihood of a smaller group of continuing students because of the lower numbers this year. Schott asked when students will apply for graduation. Walsh said they could start as early as now. Stillman said those applications happen on an ongoing basis, but there's a deadline for people who want to walk in commencement. He said it's too early right now to know what our degree application volume looks like for this academic year.

Eldridge asked about the state funding formula with regard to graduation and existing students, wanting to know which is more rewarded. Walsh said the funding model favors degree completions. Stillman said it is 60% to 40% weighted in favor of degree completions versus student credit hours (SCH).

BUDGET PRO FORMA AND SUPPORTING DATA

Perkinson said the budget pro forma in summary form, which will be discussed today, is what was shown to the Board of Trustees at their recent meeting. Lovern displayed and discussed a spreadsheet with calculations and projections that feed into the pro forma. He showed how the spreadsheet breaks down enrollment categories by tuition type, from Western Undergraduate Exchange (WUE) students down to Early Entry Credit SCH. He said the budget office has built a projection model that looks about 5 years back in history to calculate the attrition rate, then looks at the most recent term to create a projection of what the numbers

are likely to be in the next term. These projections then get collapsed into a yearly collection and these numbers get pulled into the pro forma so we can look at scenarios.

Eldridge asked about the categories of students in the first column of the spreadsheet. Slattery said the way this spreadsheet is lined up is a bit confusing. Lovern explained that these are the behind-the-scenes calculations that go into the pro forma, which is more user-friendly, not anything the Council will be expected to interact with on this level. Walsh said the Council will have an opportunity to spend more time with these numbers outside of the meeting.

Perkinson said the tendency is to focus on the resident undergraduate rate, but all the other rates listed matter as well. Jones said it is helpful to see the behind the scenes calculations so the Council can understand the SCH. Stillman said this is what he's talking about when he discusses the importance of the mix.

Lovern provided an overview of the budget pro forma. He pointed out the columns that pertain to last year, the current year, and projected years, and showed where the percentages of changes year over year for different categories are displayed. He said that based on historical trends, the model projects a 0.4% increase in enrollment next year. He said student credit hours are multiplied by the rates associated with different categories to produce projected tuition revenue. Jones asked if one-time changes would be captured and noted here. Slattery said that the projection seems to suggest that our enrollment dip will be reversed next year. Woolf said these numbers take into account the current outlook for fall. He said we saw a decrease in enrollments from California last year, but this year is looking better. Stillman asked about the enrollment projection and how it arrives at its conclusions in terms of what 2019/20 will look like. Lovern said he created a linear regression based on enrollment data over the last 5 years. Perkinson said forecasting is both art and science. He said the science in this case includes a regressive 5 year look back. On the other side of things, he mentioned that the Council just looked at enrollment data that indicated an optimistic outlook for fall term 2019; it's more of an art to determine where to set those rates for the projection. He said last year we went to the Board in June projecting a 2% enrollment increase. Slattery asked which failed last year, the art or the science. Stillman said his own projection last year for fall of 2018 was within a quarter point of the actual enrollment, and he had pushed back on the budget office's projection, which was more optimistic. He said there are a lot of variables that go into what fall will look like. Lovern said the big critical change this year is that he's added a lot more science to the projection. He said he's trying to spend the energy now to make things more clear going forward, so he's having meetings to learn all the possible variables so we can minimize discrepancies and guesswork. He said he's hoping to provide a clearer picture, and he's including factors like our burn rate and additional modeling that was not included in previous years. He said he's still pulling in more data to try to give a clearer picture. Stillman said that the new model includes many more variables and is looking far more accurate than what was produced by the budget office before Lovern took over the task. Perkinson said a more full discussion of what we think enrollment will be next fall will come several weeks from now, but for today we want to look at what the levers are and play with them a bit.

Eldridge asked about the reference to Academic Partnerships. Walsh said that's SOU's MBA online program, which is a revenue driver at this time. She said the program started during last spring. With regard to the costs related to coaches for Academic Partnerships she said we pay for coaches that the faculty can use to help with the design and delivery of their online courses. She said these costs are a quality control measure, and they are offset by the increased enrollment and tuition for this program.

Eldridge said she recalled the ending fund balance as a big topic of discussion in last year's Tuition Advisory Council meetings. Lovern said she is correct and the Council will be discussing ending fund balance soon.

Lovern said the levers worksheet is where people can input some changes to enrollment numbers and tuition rates and see the effects of these changes on the ending fund balance. He pointed out the line for SOU Aid and said that's currently set at 10%, but it could go up or down. Schott asked if the students and other Council members felt like they were able to follow the discussion so far. Cabral said she was following the discussion. Slattery offered to sit down with Council members if they wanted some one-on-one help understanding and using the pro forma. He said he was around when this tool was first created and would be happy to help others understand it.

Lovern said the pro forma also allows us to look at the effects of things like cost of living adjustments and other changes. He said any changes made on these variables will be reflected in the total. He said state funding is obviously a big variable and referred to the Council's conversations in previous meetings about the Governor's Recommended Budget (Base Budget) and the Investment Budget. He said the Budget office has received some projections from the state funding model, which it uses to calculate scenarios based on the Base Budget and the Investment Budget. He said "one-time funding" is where unanticipated revenue is captured. Lovern pointed out that the bottom line from FY19 to FY20 goes down precipitously in this model. He cited two reasons: one is the 49%/51% issue (as discussed previously, state funding for the biennium is distributed 49% for one year and 51% for the other year, with SOU getting only 49% of their state funding in the first year); also, the state funding model makes a projection and their projection suggests a cut to our funding.

Ayers said there has been discussion at the HECC of flipping the 49%/51% allocation. Lovern said that would be beneficial because in the first year of the biennium, when we're only getting 49%, we're also getting hit with PERS costs, so swapping would help. Schott asked Perkinson if the Vice Presidents of Finance and Administration are discussing swapping the 49% and 51%. Perkinson said he has not heard any discussion with that specific recommendation. Ayers said it has been discussed at the HECC.

Slattery said he was still struggling with the numbers. He said he understands the idea that in fiscal year 2020 we'll receive 49% of our state funding, and 51% in fiscal year 2021, but wasn't clear on the other part. Lovern said the state funding model doesn't roll the numbers flat from year to year, they do a projection into the future, and their projection gives us a reduction of

approximately \$376K. Lovern said he spoke to the new Director of Finance in the capital and expressed his belief that it's not a good model. He said the University of Oregon is also likely to advocate for a better model because based on its projection for them they would lose approximately \$3.2M. Schott said we're showing a loss in this model even though our outcomes improved. Stillman said exactly. Lovern said one issue is that the model weights one year three times over.

Lovern continued to discuss the pro forma, saying that all of the different worksheets feed into the overall picture. Perkinson pointed out that different types of revenue and expenses are listed in the first column, the next column shows the amounts from the last fiscal year, then what the board approved, then the forecast to complete. Revenue is listed up top, then expenses below that, then Key Performance Indicators (KPIs). He noted that the fund balance as a percentage of the operating revenue was healthy in the last fiscal year. We aim for 10% and we were at over 11%. He noted that the assumptions in this model include a 5% tuition increase, enrollment as we know it at this point, and labor and other expenses as accurate as we are able to predict. He said with these assumptions we see a reduction in ending fund balance of about \$3.7M, which would bring us to about 5.6% of operating revenue.

Ayers said that the PERS costs relate to promises made by the state before the universities were independents. She said we're still digging out from those promises and will be for a considerable time to come. Cabral said it looks like most of the data we're working with is educated guesses, with the exception of the PERS tab. Lovern said that is a good way of putting it. He said that we've included in this model as many of the known variables as we have access to. Schott agreed that there are a fair number of educated guesses involved but added that those guesses are in many cases pretty well educated. Woolf added that as we get updated numbers we'll update the model.

Schott asked why SOU Aid is listed under revenue rather than expense. Lovern said it's contra-revenue, basically an expense that you list along with the revenue. Slattery said that this is done when an expense is so tied to the income stream that you want it to move with the income stream.

Perkinson suggested looking at one quick scenario, increasing the enrollment in the model from a .4% increase to a 1% increase. He said he would keep track of the resulting bottom line numbers on a scorecard.

Ayers asked if it would be possible to look at how the numbers would be affected if all students took 15 credits a term. Walsh said that was an excellent question but it would be best to put it in the parking lot so it can be discussed later.

Eldridge said the pro forma is a great tool, but it won't be very helpful to us without knowing about the possibility for additional funding from the state. She asked if we have any odds on what we can expect. Schott said no, that's why we sit around and pull our hair out, because it's a political process and we can try to influence it but we really have no control. Perkinson said

this ties back to the Council's conversation around timing. We're in a difficult position given that the legislature won't finalize a budget until late June or July. He said it wouldn't look good to delay our decision that long, we want to make the decision while everyone's here to participate in a transparent process. So, we have to get the best info available to make our projections. Schott said what we certainly cannot do is tell students that we're going to raise tuition by 4.5%, then be forced to raise it by 12% if the legislature doesn't allocate additional money. She said she would much rather announce a higher tuition increase and then lower it if we receive additional funding.

Ayers asked if we can do more or less what the Governor is doing, basically buying back the tuition raise if we receive additional support. This would show that we aren't raising tuition because we can, but because we have to.

Lovern inputted an increase of 1% to all enrollment categories and looked at the results on the pro forma. With the enrollment variables changed the ending fund balance increase by approximately \$300K.

Leclair said she just received an inquiry asking if the Tuition Advisory Council wanted to have a booth at the Affordability Fair next week. Walsh said absolutely and asked her to share information about the Fair.

Walsh said the meeting is nearly over, but we can start with the pro forma at the next meeting. She said the Council will eventually have access to a version of the pro forma on the team drive so they can model scenarios on their own. Lovern said he will need to make a simplified version of the pro forma to make this possible. Cabral asked if other students (i.e. students not a part of the Council) will have access to the pro forma. Walsh said other students won't be able to access it on the team drive.

Schott said SOU's ending fund balance does not absolutely have to be at or above 10% of our operating revenue, but we have to have a plan to be at 10%. She said the Board of Trustees wants to see that we're being responsible. Slattery said it could be challenging to keep our ending fund balance where we want it if our enrollment is inelastic with tuition. If we lose enrollment the more we raise tuition that will be difficult. Schott said she asked Woolf to look at our top 10 competitors to see what elasticity we have with regard to enrollment and tuition. She noted that 2 years ago we raised tuition by around 9% and saw an increase in enrollment, then last year we raised tuition by around 4% and saw an enrollment decrease. Lovern said that the levers on the pro forma allow us to look at multiple factors and how they change the overall picture. Slattery said that how these numbers mesh together will be very interesting.

The meeting ended at 2:35pm.