

Tuition Advisory Council
Monday, February 25th, 2019

Council Members (✓ indicates the member was present)

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

Guests Present

Josh Lovern, Deborah Jones, Greg Perkinson, Kayla Fennell, Andrew Zucker, Matt Stillman.

The meeting started at 1:33pm.

Walsh reminded the Council about the Affordability Fair scheduled for Tuesday, February 26th, and said it would be great to have a Tuition Advisory Council member there. Perkinson said he would be happy to represent the Tuition Advisory Council at the table. Walsh said she would try to be there for part of it. She encouraged the students on the Council to join if possible.

Slattery/Eldridge moved to approve the minutes from the February 18th meeting; the motion passed by voice vote, 5Y/0N/0A.

Walsh asked if the Council had been able to find the Tuition Advisory Council website on the President's web page. She said the leadership of ASSOU and President Schott's Cabinet met this morning and had a good conversation about continuing to get the word out about the Council's work and the issues being discussed. She said the Council can expect to hear more about these plans in the coming weeks.

ENROLLMENT DATA

Lovern displayed the current week's enrollment funnel from Institutional Research [Admissions Funnel Report - Fall 2019 Week 31.pdf]. Stillman pointed out that last week the funnel showed enrollment for fall increased from this time last year, but now we look to be a bit behind. He said Moutsatson is working on deciphering this data, but we had a change in the application deadline that has affected the timing of the numbers and we're hoping to see that work itself out in the next several weeks. Lovern pointed out a 49.2% increase in the number of freshman resident students confirmed so far compared to last year. Walsh said if Woolf were here he would point out that we've seen a change in student behavior lately. Increasingly, students will

confirm and make their deposit at more than one institution. This is something we didn't often see in the past because those deposits are usually \$300 or \$400 and they're non-refundable. Eldridge asked if we're at full force in our recruiting in California. Walsh said yes, we have a full recruiting staff now and that's going to help us. Lovern said this enrollment data will help provide context for some of the levers we'll be tweaking on the pro forma.

PRO FORMA

Lovern noted that Perkinson created a "scorecard" to track different outcomes from the scenarios we'll model using the pro forma. He pointed out a difference between last week's pro forma and the version we're looking at this week – the net transfers line. There is \$1M transferred into Education & General (E&G) fund on the latest version of the pro forma.

Perkinson explained that OUS transferred \$9M to SOU in 2015 to cover the debt service on student fee-funded capital projects. These were unrestricted funds. The initial \$9M has been drawn down to about \$7M. He said the university still has to pay debt service for a Stevenson Union capital project, but after paying that debt service we'll have about \$2.9M remaining. He said Steve Larvick calculated that the interest that will accrue from those funds by the time we pay down the debt will be around \$1.2M. By transferring funds now, interest will accrue in the E&G account, and will help students and support the University's primary mission. Perkinson said this fund will be labeled "Plant Reserves," and it's only a one-time transfer, but it would help add to our shock absorber.

Walsh said we're looking at austerity measures we can employ and we've asked Division Directors to cut their Supplies and Services (S&S) budgets. Also, because enrollment is down we were able to recapture some money that was budgeted for term by term instructors but that wasn't being used. She said these are only one-time savings, but we're looking everywhere we can think of to try to help with the budget. Lovern said the cuts we've discussed are being lumped into the total supplies and services line. Eldridge asked about the services part of "Supplies and Services" and whether that covers the term by term instructors Walsh mentioned. Walsh said the term by term instructors are in a separate budget out of the Provost's office. She said supplies and services covers a lot of different things.

Lovern said the pro forma currently makes its calculations using the Governor's Recommended Budget. In that budget, among other things, the Engineering and Technology Industry Council (ETIC) support money is wiped out. He said we can look at how the other budget scenarios we've been given will affect the bottom line. The Higher Education Coordinating Commission (HECC) has given us scenarios of \$0 funding in addition to the Governor's Recommended Budget, \$40.5M in additional funding, \$80M in additional funding, \$120M in additional funding, and \$186M in additional funding. This additional funding would go to the Public University Support Fund (PUSF) to be distributed to the universities using the Student Success and Completion Funding Model (SSCM). Lovern said we're hearing that \$40.5M has been popping up in conversations as a likely scenario, so for now we'll set the funding level in our pro forma to \$40.5M. Perkinson said the HECC is running the SSCM under those different scenarios and

giving us the outcomes. Slattery referred to the pro forma and said it looks like in the \$186M scenario we would get an additional \$4M or so. Walsh said the Council should remember that when the Governor says her recommended budget is flat that's actually a cut for us because of rising costs, including PERS. Lovern said Council members may remember this from our discussions in earlier meetings. Slattery said it appears that an increase of \$40.5M looks closer to flat, factoring in rising costs. Ayers said yes, that's the scenario with the smallest gap between the last biennium and this one if you include rising costs. She said that scenario appears to avoid the double-digit tuition increases most campuses are looking at. Slattery said that may result in tuition increases that aren't double-digits, but we'd still probably be looking at high single-digits.

[Lovern changed the pro forma to reflect additional state funding to the PUSF of \$40.5M.] Slattery asked what number we would need to input to get to an ending fund balance that is 10% of operating revenue. Lovern said we would have to raise enrollment or tuition or both. He said if we increase the tuition rate to 12% that puts us at 5% of operating revenue, and that includes \$40.5M additional state funding. Slattery asked how big the enrollment numbers have to be to make a significant difference. Lovern showed that the pro forma calculates a 2% enrollment increase across the board would get our ending fund balance to 6.1% of operating revenue. Perkinson said we can separate new freshmen and retention. Eldridge asked if this model assumes that seniors are completing. Perkinson said it does not look at completion. He said the SSCM accounts for completion, this does not. Lovern said it is probably theoretically possible to build that in, but we're not there yet. Ayers said that gets very complicated because it would have to incorporate the relative values of different degrees. Perkinson said in the fall the HECC does a true up. They run the model and allocate funds, then they go back later and do a true up. Last fall we received an additional \$190K in the true up because of our completions.

[Lovern changed numbers in the pro forma to factor in \$186M in state funding to PUSF, a tuition increase of 5% across the board, and a total increase in enrollment of 2.4%. The ending fund balance in that scenario is 7.0% of operating revenue.]

Lovern pointed out that a lot of the difference between the current year and the projection for next year is OPE. He said there's an average increase of 3.05% across PERS categories. Slattery asked if this is what we've been told we're going to spend. Perkinson said we're given the rate increase. Slattery asked if it gets trued up at some point. Perkinson said it does at some level annually. He said it's a pool and for every contract it represents an unfunded liability that we have to pay a person. Aggregated, it comes out to around \$30M, but that could fluctuate. The only way it would go down is if members of that pool die. Slattery asked who dictates that rate. Perkinson said his understanding is that there's a working group that makes that actuarial calculation. He said the overall pool is huge. We pay our portion into that pool, and annually that working group will assess what the next iteration of the requirement is. Slattery said it sounds like basically someone is going to take that money from us and there's nothing we can change. We can't just tell them no. It looks like to us the total impact is around \$19M this year. Lovern said it's a biennium rate. Perkinson said at the meeting last week of the Finance and

Administration Committee of the Board of Trustees someone asked how many cents on the dollar are discretionary. It was determined that about 7 cents on the dollar are discretionary, when you look at the labor that's fixed and the other expenses that are fixed. Lovern said he was shocked when that calculation was done. Walsh said that for labor it's really a subset of our workforce, the non-classified, non-faculty.

Walsh asked what other scenarios people would like to look at. Perkinson said that the Finance and Administration Committee looked at a "most likely" scenario that included a 2% bump in retention (freshman and transfer), a 5% tuition increase, and \$40.5M in additional funding from the state to the PUSF. This would leave us with an ending fund balance of 2.6%. He said this is a pretty pessimistic outlook. It hits the ending fund balance hard, and if there was no other funding correction we'd be aggressively looking at austerity measures to cut costs. Lovern asked Stillman about the 2% enrollment increase included in this scenario and whether he thinks that looks conservative or optimistic. Stillman said he feels that a 2% increase is actually pretty aggressive. Stillman said if we were a year further in with EAB's Navigate product he would feel more comfortable expecting to see a benefit. He said if he were forced to guess he would say that enrollment feels pretty flat to him this year. Maybe new students will be up in the fall. Lovern said it sounds like Stillman expects us to be at around the 0.4% increase our model suggests. Stillman said yes. We're down now in continuing students, we were down in the fall and we're going to end the year down in continuing students. The only thing that can help is new students and increased retention. He said he thinks Lovern is pretty spot on in his projection that enrollment is looking pretty flat. Lovern said that his projection factors in an attrition rate that came in slightly higher than expected. Slattery said it looks like this "most likely" scenario has the ending fund balance at 1.5% of operating revenue. Lovern said he lowered enrollment to 0.4% instead of 2%, which was the "most likely" scenario presented to the Finance and Administration Committee. Slattery said that in his experience the university was not allowed to let it dip that low. Of course, he said, we were in retrenchment, but we were not allowed to show an ending fund balance that low. Walsh asked who would not allow it. She said the Board of Trustees has a similar mindset as the OUS had; they feel we should not allow it to go below 5%, they think 10% is a reasonable target, and they would prefer 15%. Slattery said it looks like there is no way we can keep the numbers. Lovern said that's why we're going back to the government to request additional state funding. Eldridge said the Council can say whatever it wants in its recommendation to the President.

Ayers talked about discussions at the HECC and mentioned that Senator Courtney has proposed SB 4, which would merge public universities with community colleges. She said Senator Courtney suggested that SOU could merge with Umpqua Community College. She asked Walsh if she knows how many schools have fund balances that will fall below 10%. Walsh said she doesn't, but all of the public universities in Oregon but one are talking about double-digit tuition increases. She said they don't tend to talk about fund balance. She said she dialed in to the Oregon Council of Presidents call last week and they were talking about making the case to the HECC as best we can to be advocates for higher education so the state will back the investment budget. Ayers said the investment budget doesn't seem to be getting much traction, but even if it gets approved she doesn't know where the money will be coming from.

She said Senator Courtney has a loud voice in the legislature. Walsh said some legislators also want Community Colleges to be able to offer applied BAs. Ayers said that bill has been approved in the Senate and is going to be considered by the House.

Slattery said the problem is from a numbers standpoint he doesn't know what the Council has to discuss. He said we can model this all we want, but we don't have any latitude in these numbers. Walsh said House Bill 4141 requires that we make a recommendation to the President.

Perkinson said he would encourage a dialog on the best balance for the Council's recommendation to President Schott. He said he thinks on the funding level we'll have to just make an assumption. As of this week, we'd go with \$40.5M in additional state funding to PUSF. He said there has been discussion about delaying the Council's recommendation until the funding question gets firmed up to some degree. He said the meat of the issue is making a reasonable assumption on enrollment, then determining what the Council thinks is the right thing for the students and the university, really that's the balance we're trying to find.

Lovern said Slattery had asked what we would have to do to get to an ending fund balance of 10% of operating revenue by increasing tuition alone. That would require a 23% increase in tuition. Ayers suggested that this is what should go to the HECC. They should see the burden they're putting on students by not providing support. She said this falls on the state, so how much will the state pay to buy back this increase. Stillman said there would be no chance of anything close to flat enrollment with that large a tuition increase, so we would have to raise it even higher to account for the enrollment loss at that level. Slattery said with regard to Ayers' suggestion, whatever number we come to, whatever increases we get will buy down tuition. Eldridge said she agrees with Ayers that this is more of a political strategy than a modeling math exercise. Slattery said our market is not going to hear it the same way. Eldridge said maybe we want the students to freak out so the state will listen. Ayers said no, we don't want the students to freak out. Walsh said let's hear from the students. Pardo said that's a tough question. Eldridge asked if the students understand that it's not just SOU raising their tuition because SOU wants to, don't we want the students of Oregon to put pressure on the legislature. Ayers said the Oregon Student Association did a phenomenal presentation several years ago on the money spent on tuition versus the money spent on imprisonment. Ayers said the issue is what the state is willing to commit to and say "this is our contribution."

Slattery said the Council is still responsible for making a recommendation. Eldridge said that looks like an impossible task, it's not just a math problem. Walsh said it's not just us, other universities are going through the same process and dealing with the same issues. Eldridge said it feels like the demand to create this body is another way for the state to protect themselves from blame. Slattery said this conversation is what the entire system is geared to incorporate. The alternative to not allowing us to make this recommendation would be excluding people from the process.

[The Council looked at the effects of a 9% tuition increase. The ending fund balance in this scenario, with enrollment increasing by 0.4% and an additional \$40.5M in funding to PUSF, comes to 3.3% of operating revenue.] Slattery said it looks like we're stuck with either an acceptable fund balance with an unacceptable tuition increase or an unacceptable fund balance with an acceptable tuition rate. Walsh said the presidents are meeting with the legislature and advocating for more support. Ayers said the HECC Commissioners are coming to budget meetings to hear from the universities. She said it was extremely painful to watch what students went through when significant tuition increases have happened in the past. Walsh said that what does track with legislators is student debt. If we raise tuition it raises student debt, it's not hard to understand that equation. She asked if it would be possible at next week's meeting to translate percentage of tuition increases into dollars. Perkinson said he believes a 5% increase in tuition comes out to about \$387 per year. Walsh said it's important to understand what the percentages translate to. She said if we're talking about \$300, we can do some offsetting, and we're already working on reducing costs for students through Open Educational Resources (OERs) and other things.

Walsh said whatever we recommend, if enrollment goes up more than expected or if we get more money from the state, we could back that down and commit to a tuition buy-down. Ayers discussed trying to get all students to 15 credit hours per term. She said she would love to see how the scenario would change, how that would affect SCH and the bottom line. She said we can make that our goal. Walsh said we have been moving in that direction by, among other things, adding some lower credit courses that students can pick up to get them to 15 credit hours. Slattery said one issue with that approach is that if the costs keep increasing students need more time to work. That's the dilemma, whether it's realistic. Walsh said it is in some cases, for example Accelerated Baccalaureate students take heavier loads, and we see gains when students are able to see that they're getting closer to the goal. Slattery said he sees that in his advising sessions, but he also sees the dilemma.

Lovern said looking at a 9% tuition increase, it comes out \$23 per credit hour, \$345 per term, ~\$1000 per year. With a 23% tuition increase the yearly credit hour increase goes up to \$2700.

Walsh encouraged Council members to think about this for next time. She said it's important to think about the total cost for education.

The meeting ended at 2:35pm.