

Tuition Advisory Council
Wednesday, April 24th, 2019

Council Members (✓ indicates the member was present)

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

[Additional student to be identified]

Guests Present

Josh Lovern, Deborah Jones, Greg Perkinson, Neil Woolf, Matt Stillman.

The meeting started at 2:34pm.

MINUTES

Walsh asked if everyone had a chance to review the minutes and if anyone would recommend any changes. Slattery/Ayers moved to approve the minutes from March 11th; the motion passed by voice vote, 5Y/0N/0A. Ayers/Battaglia moved to approve the minutes from April 17th; the motion passed by voice vote, 4Y/0N/1A (Slattery abstained).

MANDATORY FEE RECOMMENDATION

Perkinson said that the Board's tuition and fee process includes a recommendation on tuition and student fees from this council. He said usually the tuition and fee recommendations come in lock step, but with the tuition recommendation coming later, the Chair of the Board's Finance and Administration Committee recommended addressing the fees separately so there would be one less thing to wrestle with in May when the tuition recommendation will be made. He said he would recommend the Council consider the fee recommendations presented at last week's meeting for approval by the Council. Eldridge asked if she understood correctly that the Council would not be approving anything, just making a recommendation. Walsh said that is correct.

Stillman noted that the only fee applied to online students is the online delivery fee. Slattery asked how an "online only" student is defined. Stillman said it gets complicated. Slattery said it sounds like students could decide for a term that they're taking courses online, and could get out of certain fees. Stillman said students who are only taking online courses are not paying the health fee, for example, but, he said, he thinks those students are not getting access to the

health center. He said some other services like the library, sporting events, etc. aren't governed that closely. Woolf said that this issue happens so rarely that it tends not to be worth the cost of worrying about it. Slattery said it sounds like there's more work in figuring how to prorate the fees than just deciding that a student is an online only student.

Walsh asked if there were any concerns that would make the Council not want to vote on fee recommendations now. Slattery said no. Stillman said that at some point a bigger conversation will need to be had around online students. Ayers/Slattery moved to approve the fee recommendations as presented at the April 17th meeting and included in the presentations for the April 17th and April 24th meetings; the motion passed, 5Y/0N/0A.

SCENARIOS

Walsh referred to slide 10 of the PowerPoint presentation for this meeting [TAC Presentation – 04.24.19.pptx], a table with columns for three different scenarios (“pessimistic,” “most likely,” and “optimistic”) and different levers associated with those scenarios. She said the conversation today will center around this table and determining what numbers the Council would like to recommend to President Schott for each scenario. She mentioned that she and Perkinson and Woolf are still working on getting in front of students to discuss the budget and tuition process. She said that next week the three of them plan to meet with the student athletes of the Black and Red club, and they're also working with Housing to find a time to get in front of students there.

Perkinson mentioned that Slattery had previously discussed creating small, medium, and large recommendations as one way to adapt to the uncertainty around state funding. He said this table attempts to lay out some of the key levers so we can see what different scenarios might look like. One lever is state funding, and Perkinson recommended looking at \$40.5M and \$80M for the three scenarios. He said \$40.5M in state funding to the Public University Support Fund (PUSF) is the current most likely scenario, based on the budget recommendation from the co-chairs of the Ways and Means Committee. He said there's a version that does not include the sports lottery and ETSF, which would mean around \$400K less for SOU, so the \$40.5M minus the lottery and ETSF could be the numbers used for the pessimistic scenario. With regard to the \$80M in the optimistic scenario, he said there's an optimistic view that the PUSF could receive additional money as part of the investment budget, though as of now higher education is not included in the investment budget. Perkinson said that the Council might recommend that the university engage in more aggressive cost-cutting measures in the pessimistic package, for example. Woolf noted that with regard to enrollment, the closer we get to fall, the more accurate our estimates will be. He said that the enrollment team has looked at the regression model as well as other models and they'll continue to share updated projections with this group. Walsh asked if the numbers in the table are close enough to be used for the purposes of this meeting. Woolf said yes, the numbers in the table set the parameters for what enrollment is likely to be.

Perkinson said that the Council does not have very much time before it will need to make a recommendation to the President. He said that President Schott will go before the Board on May 16th with her tuition proposal, and the Council needs to give her its recommendation before that, with enough time for her to give it due consideration. He recommended giving President Schott the recommendation a week before she goes in front of the Board. Stillman said it's worth remembering that the budget is a plan, it's not ever locked in. He said that whatever the Council ends up recommending, things that change after that would require a change to the budget. He said that too often people think the budget represents "what will happen." Walsh pointed out that restoring term-by-term faculty, as mentioned on the table in the optimistic scenario, is directly tied to enrollment, not state revenue, so it's being used on the table as more of a placeholder. Perkinson agreed and said that last week students on the Council said that they are interested in hearing details around the impacts of different scenarios, and where costs might be cut. He said one of the hard parts of being in a leadership position is being forced to decide where to cut costs when that needs to be done, and being accountable for any changes in service level that might go with those cuts. He said he would argue that any cut results in a change in service level, and ultimately leadership is going to own that change.

Eldridge asked about the difference between cost cutting and savings on the table. Perkinson said the difference represented on the table is between savings that come by process improvement and money that is saved by cutting costs. As an example, he said IT recently saved about \$40K by changing the way they did something. They didn't cut anything, they just had a better idea of how to operate that saved money. He said reductions and cuts are pretty synonymous. Walsh said savings are sometimes just doing things differently. Perkinson said he and others recently did a deep dive on current vacant positions, looking at what could be kept vacant for a time and what would need to be filled. He said they were able to identify \$300k - \$500k in savings that way. He said having less need for term-by-term faculty because of lower enrollment also saved some money. He added that Woolf is considering some options in the operation of his area that could save some money. Perkinson said that the trick in cases where positions aren't filled is that that position existed for a reason, so it's important to be aware when the service level may be diminished.

Perkinson suggested looking at the pro forma to work out what the tuition rate increase might need to look like in a pessimistic scenario and see how the fund balance would look. He said the Board's formal guidance to President Schott was that the ending fund balance should be 10% of operating revenue. However, when SOU noticed an enrollment downturn there was a softening of the formal target from 10% to 8%. Walsh said that this softening went along with some investments. Perkinson said that is correct, the Board acknowledged that we have made some investments to grow enrollment. Walsh said anything less than 8% seems to be pretty much a no-go. Eldridge asked which would be worse, letting the fund balance get lower than we want or raising tuition by more than 5% and having to go in front of the HECC. Walsh said it's not a question of either/or; the Council doesn't have to pick one scenario, it could pick several, one with a lower ending fund balance and one with a higher tuition raise. Slattery recommended starting with most likely scenario, which would allow the Council to start in the

middle and see if it can get that to work, then adjust from there to see what more pessimistic and optimistic .

[Lovern entered “most likely” levers into the pro forma. These levers include \$40.5M in state funding to the PUSF, the inclusion of the sports lottery and ETSF, enrollment of -1%, budget savings of \$1M, and SOU Aid of \$4.2M]. Perkinson said the legacy principle is setting aside 10% in SOU Aid, but that number could be changed. [In this “most likely” scenario, the pro forma showed that to get the ending fund balance to 8.1% of operating revenue, tuition would have to be increased by 17%.] Walsh said she would like to ask if the Council believes this is the most likely scenario. Slattery asked what numbers can be adjusted, either increasing the cuts or increasing the tuition. Perkinson suggested looking at changing the cuts from \$1M to \$2M. [Lovern entered this into the pro forma, splitting \$2M in cuts over 2 years, with \$1.35M in cuts in the first year. In this scenario, a 14% tuition increase was required to get the ending fund balance to 8% of operating revenue]. Stillman noted that the last time SOU made an increase of that magnitude we set aside additional tuition revenue for SOU Aid. Woolf said there might be ways to better use the current 10% that goes to SOU Aid.

Woolf asked to see the difference lowering SOU Aid to 8% would make. [In this scenario, with 8% in SOU Aid and \$1.45M in cost cutting in the first year, tuition would need to raise by 11% to result in an ending fund balance of 8% of operating revenue]. Perkinson said he was not excited about the idea of SOU Aid going down. Walsh said she would be more comfortable with 8% in SOU Aid and a lower tuition increase, especially with new tools we’ll have to improve how we use SOU Aid and grow enrollment.

Jones asked about the S&S (Supplies and Services) line in the pro forma. Perkinson noted that the revenue share from our online MBA hits S&S, so that number looks larger than it otherwise would.

[Battaglia left]

Perkinson suggested looking at an optimistic scenario. Eldridge mentioned last week’s straw poll conversation and said she felt that some on the Council will likely be uncomfortable with the scenarios we’ve looked at so far because of the higher tuition increase. Walsh said that for her part she doesn’t feel that she was as well informed last week as today. She said the Council needs to get down to numbers soon, rather than talking about philosophically where we would be comfortable.

[Stillman left]

[Lovern entered “optimistic” scenario levers into the pro forma: \$80M in state funding, 1% enrollment growth, 10% SOU Aid, cuts of \$1M both years. To get the ending fund balance to 8% of operating revenue, a 10% tuition increase was required.]

[Eldridge left]

Woolf asked to see the effect of reducing SOU Aid to 8% in this scenario. [With this change, a tuition raise of 7.5% would result in an ending fund balance of 8.1% of operating revenue.]

The meeting ended at 3:40pm.