

Tuition Advisory Council
Wednesday, May 1st, 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, Becca Evans, Chris Stanek, Linda Schott.

The meeting started at 2:30pm.

INSTITUTIONAL RESEARCH FINDINGS

Walsh introduced the Director of Institutional Research, Chris Stanek, and explained that President Schott commissioned the Southern Oregon University Research Center (SOURCE) to conduct a student satisfaction survey. This survey is currently in progress, and SOURCE has received an impressive response rate. Walsh said Stanek is in attendance today to share what SOURCE is seeing regarding students' perceptions around financial issues. Stanek said that 1350 students were sampled and the response rate was about 38%, which is a good sample size on which to start basing findings. He said they have received good data on a full set of questions, and he displayed data on the responses to 6 statements relating to costs:

1. Cost is worthwhile investment
2. Tuition is manageable
3. Textbook cost is manageable
4. Room and board is manageable
5. Parking cost is reasonable
6. Fees are put to good use

For the first statement, "Cost is worthwhile investment," the top two student responses were "Somewhat agree" and "Strongly agree," with 61.1% of responses being one of those two. The percentage of responses that were "Somewhat agree" and "Strongly agree" is around 47% for "Tuition is manageable," around 40% for "Textbook cost is manageable," around 10% for "Room and board is manageable," around 24% for "Parking cost is reasonable," and around

27% for “Fees are put to good use.” Perkinson noted that the lowest percentage was for the room and board question, and pointed out that those rates were being rolled back in the fee recommendation that has gone forward. Stanek said that the responses to the “Fees are put to good use” statement may reflect that students don’t have a great understanding of how their fees are being used. Stanek then displayed the results broken down by class. Slattery said that it is interesting that freshmen and seniors responded more positively to the “Cost is worthwhile investment” statement than sophomores and juniors.

Cabral asked if the Council would get to see the full report. Stanek said the full report would be put together and released by the primary investigator and would probably come out sometime this summer. He said the data presented today is just a snapshot of data related to costs to students. Walsh said she thought this would be useful for the Council to see, and said there are other areas of the survey that will be very interesting to examine. Slattery said this data can also be useful as we develop messaging. Walsh noted that reducing textbook costs has been a focus of some good work and has also been encouraged by student groups.

[President Schott joined the meeting.]

Battaglia said the OSPIRG campaign coordinator who was working on Open Educational Resources (OERs) will be scaling back this work.

Slattery said that 61% is not really a high number for a percentage of students who feel that the cost of their education is a worthwhile investment. He said this info will help not only in the pursuit of additional funding, but also as we consider messaging around the value of education. He said he hopes that will be part of the outcome of the survey. Stanek agreed and said this is the first robust satisfaction survey SOU has done for some time.

Stanek said he also looked at some data around the effects on enrollment of high tuition increases. He said the data shows a strong correlation between tuition going up and headcount going down. Looking at the last 10-12 years, Stanek said Institutional Research found that for each 1% increase in tuition we’re seeing somewhere between 5 and 15 fewer students. He pointed out that this is just correlation, this data is not controlling for the many possible variables, but it fits with other research we’ve seen nationally. He added that there are different categories of students on campus and changes to tuition rates have different impacts on their numbers.

Stillman offered a historical reminder, as the Council thinks about ramifications of tuition increases, that the last time SOU increased tuition considerably we set aside additional money in SOU Aid to buy down some of that increase. He said he wouldn’t assume we will see the same results if we don’t do that again. Perkinson said the money set aside at that time was around \$500K. Schott noted that we saw an enrollment increase in that year. Stillman acknowledged this but cautioned that we should not assume we will see similar results if we change some of the variables, like tuition remission.

MINUTES

Walsh asked if anyone had changes to the minutes from the April 24th meeting. Ayers/Slattery moved to approve the minutes from April 24th as written; the motion passed by voice vote, 7Y/0N/0A.

TUITION SCENARIOS

Walsh said we've set aside some more time today to look at different scenarios. Lovern said that he modeled 7 different scenarios in a presentation [TAC Scenarios – 05.01.19] as a starting point, and also modified the pro forma so it will be easier to play with the levers and see the effects in real time [2019 Slider Enhanced Pro Forma.xlsx]. He said his model was projecting a 0.5% increase in enrollment, but we have now set enrollment to flat and can adjust as we see fit.

Lovern displayed slide one of the presentation, which shows Scenario 0. He said this scenario assumes no tuition increase and looks at what it would take to get the ending fund balance to 10% of operating revenue by cost cuts alone. In this scenario \$6.95M in cost cuts would be required to reach an ending fund balance of 10% of operating revenue. He said cuts of this magnitude would seriously impact core institutional functions. Battaglia said that last week the Council looked at an ending fund balance of 8% or 8.5%; he asked if the scenarios to be presented are all based around 10%. Lovern said no, other ending fund balance percentages are shown in other scenarios. Slattery said that what this scenario doesn't show is the impact on enrollment that would result from cutting to this degree. He said he would move to say this is something SOU cannot do and take this option off the table. Pardo said she would agree. Walsh said she thinks it would be helpful to vote on this scenario.

Slattery/Pardo moved to reject Scenario 0. Cabral recommended releasing this slide and others the Council rejects so students can see what has been rejected. Walsh said yes. Lovern said the Council may go through all of the scenarios modeled and not find one it likes, but the Council can use the pro forma to fine tune and get the numbers it wants to see. The motion passed, 7Y/0N/0A.

Lovern suggested looking at all remaining scenarios before voting on them so the Council can get an overview.

Lovern displayed slides 2 and 3, which show Scenario 1. This scenario shows what would be required to get to an ending fund balance around 8% of operating revenue with spending cuts of \$1M and SOU Aid at 10%. In this scenario, tuition [unless otherwise noted, "tuition" refers to resident undergraduate tuition] would need to be increased by 16%. Lovern showed that the difference in dollars for a resident undergraduate student would be a total of \$1,260 over the academic year, assuming 45 Student Credit Hours (SCH).

Lovern displayed slides 4 and 5, which show Scenario 2. This scenario shows what would be required to get to an ending fund balance around 8% of operating revenue with a tuition raise of 12.5%. In this scenario, SOU Aid would need to be cut to 8% and spending cuts of \$1.2M would be needed.

Woolf said that through a new tool we can gain some efficiency in our SOU Aid usage, so this reduction may not impact students as negatively as it might seem. Stillman asked if Woolf thinks we'll see that much efficiency in the first year of using the new tool. He said he agrees that there's efficiency to be gained but he's worried about the timing. Woolf said he does believe we'll see that degree of efficiency, even in our first year using the tool, also considering how much money we set aside for retention. Pardo asked for more details about the efficiencies to be gained by the new enrollment tool. Woolf said that, among other things, the tool will help with money that is allocated that may not actually be needed. It can help us see if there is a more cost effective way of operating. Pardo asked if Woolf thinks SOU can operate in a more cost effective way in this regard. Woolf said yes he does. He said with the help of the tool we'll be able to look at all SOU Aid and see what it yields in enrollment. Based on students' ability to pay and need we can do a crosswalk to see where different students fit and determine on which student profiles our investment will have the most impact enrollment-wise. He said for example, there's not much of a point spending as much on students who yield at 70% as you would on students who yield at much lower rates. Stillman said he just wants to ask again, because everything explained so far applies to new students, if Woolf still feels there will be enough efficiency gained to make a difference in the first year. Woolf said yes, and there will be efficiencies in other areas beyond first year students.

Lovern displayed slides 6 and 7, which show Scenario 3. This scenario shows what would be required to get the ending fund balance to 10% of operating revenue with state support to the PUSF of \$40.5M, spending cuts of \$1.8M, and SOU Aid of 8%. In this scenario, tuition would need to be increased by 14%. Eldridge asked if the Council would be concerned by the optics of raising tuition considerably and at the same time cutting SOU Aid. Walsh said that's a good question and noted that one thing SOU did the last time tuition needed to be raised substantially was go in at a certain rate and pledge to use any additional money to buy that rate back down. She said Eldridge made a good point that the optics of raising tuition and cutting aid at the same time might be problematic. Slattery said his understanding of Woolf's belief is that we'll be able to service just as many students at the same level with less money in SOU Aid. Woolf said that is partially true, and we'll also be able to recapture winter and spring money that hasn't been used. Pardo asked if data is available showing how many students don't use their SOU Aid. Woolf said this data is not currently easy to come by, which is one reason we need the new tool.

Battaglia asked about the nonresident tuition rate. Lovern said that rate has been kept at 5% in the scenarios being presented because SOU's nonresident tuition is already high. Battaglia asked if any on the Council had concerns about the optics of this. He said he chose to come to SOU in part because it was cheaper to stay in-state, but in-state students who see that tuition doesn't increase as much for nonresident students might have a negative impression. Slattery

said we don't want to cut off our nose to spite our face, the nonresident students are already paying a hefty rate. Woolf said he would like to add one more comment about SOU Aid: we don't present the idea of cutting SOU Aid as an ideal thing to do, but as something we can look at in the situation we're in. Ideally, we'd be able to keep SOU Aid at its current rate and still use it better. Lovern said he hasn't modeled a 1% reduction in SOU Aid in any of the scenarios, but that is something that can be modeled.

Lovern displayed slides 8 and 9, which show Scenario 4. This scenario shows what would be required to get the ending fund balance to 10% of operating revenue with a tuition increase of 10%. In this scenario, with SOU Aid reduced from 10% to 7%, spending cuts of \$2.9M would need to be made. Eldridge said that in the scenarios examined last week the cost cuts never exceeded \$2M. She asked if that is approximately the maximum amount of cuts that is considered feasible. Lovern said that he would consider even \$1.2M in cuts pushing it.

Lovern displayed slides 10 and 11, which show Scenario 5. This scenario shows what would be required to get the ending fund balance to 8% of operating revenue with a tuition increase of 4.99%, so we would not need to go before the HECC for approval. In this scenario, with SOU Aid reduced from 10% to 7%, spending cuts of \$3M would need to be made. Cabral said it looks like the only way to meet our ending fund balance goal without raising tuition enough to require HECC approval would be massive cuts and a reduction in SOU Aid. Jones said it was mentioned previously that the increase in PERS costs are around \$1.4M. She asked if that is a number in spending cuts the Council might consider, as an offset of raising costs. Lovern said PERS is not the only expense that's increasing, and that the total increase would be closer to \$2M or more.

Eldridge asked if there was any update on how much state funding is expected. Walsh said she has heard rumors of some possible support for \$80M in state funding. Perkinson said there was a meeting last week of Vice Presidents for Finance and Administration, at which they received a briefing from some legislative council members. Higher education is not included in the revenue package that is currently in the works, so the belief is that the universities might have a better shot of additional money being inserted into the Ways and Means budget package because people might feel sorry for us. He said he wouldn't go to the bank with that assumption, but that is something that could happen. Walsh said that would be a case where we might then be able to buy down some of the tuition increase or increase funding to SOU Aid. Perkinson said the revenue results will come out in the middle of May, and revenue is flat or up that may bode well, but if it is negative, that's not a good sign. We won't know for a couple weeks. Schott said the latest from the Oregon Council of Presidents is that the efforts of the universities to have more money added to the budget may bear some fruit. If the proposed tobacco tax goes through there might be some additional money available, and there is also the possibility of PERS savings. She said she has also heard that the sports lottery and ETSF sound likely to be funded for the next biennium at 2017-19 budget level, and there may be support for an additional \$40M on top of the Ways and Means budget.

Slattery said the Council needs to focus first on making its recommendation based on the \$40.5M that seems most likely at this point, then if more funding is available we can make recommendations on what would be the effect of receiving any additional funds.

Lovern displayed slides 12 and 13, which show Scenario 6. This scenario shows what would be required to get the ending fund balance to 8% of operating revenue with \$1.2M in spending cuts and SOU Aid at 8%. In this scenario, tuition would need to be increased 12.5%. Perkinson said if we were to receive additional funding this might be the kind of scenario where we earmark it for SOU Aid. Ayers said additional funding might allow us to restore aid as well as buying down the tuition increase. Schott said any scenario with additional funding would mean a buy down of tuition first, not a restoration of aid in lieu of tuition buy down, which she feels will never get passed.

Slattery said in Scenario 6 there's a piece coming out of all of the levers, this feels about as equitable as it appears we can get. Schott asked what's assumed for 2021 tuition in this scenario. Lovern said this assumes an increase in tuition of 5% next year. Schott said one of the HECC criteria for tuition increases is demonstrating how we will protect the lowest income students from being negatively impacted by tuition increases. Last time we had to raise tuition by more than 5% we said we'd accomplish this by increasing aid. This time, if we say we're reducing aid to make a lower tuition increase possible, that may be alarming from the perspective of getting approval from the HECC. We'd have to be able to show how we're still protecting the lowest income students even though we've reduced aid. Slattery said he wasn't sure the Council was at a place where they could consider that issue yet, this is the first time we're this close to considering actual numbers. Walsh said there has been some discussion about setting aside money especially for those students, so they would not be affected by a reduction in SOU Aid.

[Battaglia left]

Cabral said with regard to vulnerable students, the optics of cutting aid may not be good, but one could argue the issue from the other side: if you increase tuition by more it hits them too. Eldridge said she would like to take scenario 6 as a starting point and tinker with the levers. She said she keeps being tempted to explore the options with the fund balance even below 8%. Schott said the Board of Trustees will not approve an ending fund balance below 8% of operating revenue. She said honestly 10% is minimal and she feels uncomfortable at that rate, though she's willing to at least consider 8% for a couple years if necessary. She encouraged the Council to think about how vulnerable that would leave the university in case of an emergency like an earthquake or something that does massive damage to the university, like a severe hailstorm once did in the past.

[Cabral left]

Slattery said looking at SOU Aid in Scenario 6, between what was given this year and what would be given next year if SOU Aid were 8%, the difference in dollars comes out to around

\$300K. If we were to raise SOU Aid that ~\$300K above 8% we'd be keeping SOU Aid flat. It wouldn't help us to talk about decreasing SOU Aid by percentages of revenue, we'd really be looking at funding it at the same level as this year. Looking at it and communicating it this way, the optics would be better. Perkinson agreed that we would want to be smart about our messaging whatever decision is made around these rates.

Eldridge said she was interested in looking at what tuition would need to be with SOU Aid at 9% and then 10%. Keeping other levers the same, with a SOU Aid rate of 9% tuition would need to increase by approximately 14%, and with SOU Aid at 10%, tuition would need to increase by approximately 15%. Schott asked to see what this scenario would look like with SOU Aid at 10% and \$80M in state funding to PUSF. In this scenario a tuition increase of 12.25% would bring the ending fund balance to 8% of operating revenue.

Stillman asked what the enrollment projection is in this model. Lovern said this model is based on flat enrollment. He explained that the slider shown on the pro forma is actually set at -0.5% because the master model this pro forma draws from projects enrollment going up by 0.5%, so to get the overall enrollment projection to flat we have to move this slider to -0.5%.

Stillman said he would be curious what it would look like with enrollment down by 1%. In this scenario, with SOU Aid at 10%, \$40.5M in state funding, cuts of \$1.2M, and the ending fund balance at 8% of operating revenue, tuition would need to be increased by 17%. Stillman asked to see how much the tuition increase could be reduced by reducing SOU Aid by 1% in this scenario. A tuition increase of 15.25% would get the ending fund balance to 8% of operating revenue in this case.

Eldridge said Scenario 6 looks closest to what she would be comfortable with, but the whole discussion about aid concerns her. She said she feels it would be upsetting to hear that SOU is raising tuition and at the same time cutting aid.

Slattery asked to see what the ending fund balance would be in Scenario 6 if enrollment were to come in 1% down. In this scenario, the ending fund balance would be 7.5% of operating revenue. Slattery said that this narrative is important. If additional money comes in we'd have to restore the ending fund balance to 8% first, just to be responsible.

Stillman asked to see what would happen to the ending fund balance with enrollment down by 2%. In that scenario the ending fund balance would be 7% of operating revenue. Schott said in this scenario we would definitely be talking about cuts.

Walsh said she didn't believe the Council had reached a point where it would want to vote on any scenarios, but she wanted to check in. She asked if Scenario 6 is the one that people are landing on at this point.

Perkinson said with regard to cost cutting that we've already cut costs a lot between 2 recent retrenchment cycles. He said he feels that if we cut beyond \$1M we'd likely be cutting into

labor positions. He said we've held some vacancies and found other ways to reduce costs, but beyond \$1M we'd be talking about changes in service level.

Slattery said he definitely feels that Scenario 6 is on the table, and he believes that there's got to be Scenario 6 "bigger," which would include maintaining an ending fund balance of 10% of operating revenue. Walsh said it would be good for Lovern to model a variety of options based on Scenario 6, then send them out to the group. Meanwhile we'll upload the pro forma to the Council's team drive so people can look at scenarios for themselves. She said she thinks the Council agrees that this is where we're landing today and this can be the springboard for next week's conversation.

Walsh expressed her thanks to the Council for their hard work.

The meeting ended at 3:59pm.