Tuition Advisory Council
Friday, February 5, 2021

Council Members (✓ indicates the member was present)

- ✓ Sarah Grulikowski – Student
- ✓ Niko Hatch – Student

Leslie Eldridge – Faculty Member
Tara Othman - Student
Dennis Slattery – Faculty Member

- ✓ Matt Stillman – Administrator
- ✓ Susan Walsh – (Chair) Provost and Vice President for Academic Affairs
- ✓ Quinn Youngs - Student

Guests Present
Greg Perkinson, Neil Woolf, Josh Lovern

The meeting started at 9:30am.

Stillman/Youngs moved to approve the minutes from the January 29th meeting; the motion passed, 5Y/0N/0A.

Lovern shared a presentation about the budget, tuition, and the mandatory fee process (Part 1_Budget, Tuition & Fee Process AY21-22_v1.pptx).

Tuition Advisory Council Makeup, Role and Process

Lovern reviewed the makeup of the Tuition Advisory Council (TAC) and it's role. He said the TAC makes a recommendation on Tuition and Fees to the President, then the President makes a recommendation to the Governing Board, which may adopt the President's recommendation. He added that if the tuition and mandatory fee rate will increase by more than 3% but less than 5% it will be reviewed by the Higher Education Coordinating Commission (HECC). Walsh, Perkinson, and Woolf discussed the role of the HECC. Woolf said there is a clear line between coordinating, which HECC does, and governing, which is done by our Board of Trustees. Lovern said if the tuition and fees composite rate increases by 5% or more, that requires a "stringent review process" by the HECC before approval.

Lovern discussed the process by which the TAC makes its recommendation to the President. He said the Council will review relative data, gather feedback from around campus, and deliberate to create a recommendation. He said the recommendation is traditionally focused on credit-based tuition, but the Council can also look at differential tuition rate proposals or other non-traditional tuition rates.

Lovern explained that there are two types of fees: mandatory enrollment fees and mandatory incidental fees. He said the mandatory enrollment fees are determined by the university administration, while incidental fees are determined by the student government, the Associated Students of SOU (ASSOU) through their student fee process. He said housing rates are set by the administration and are not part of the composite tuition and fee rate that goes to the HECC. TAC does not deal with the housing rates.

Budget 101

Lovern discussed how SOU budgets and listed some of the more notable revenues and expenses. The revenue side includes tuition revenues, state allocations, and fees. Expenses include personnel, Other Personnel Expenses (OPE), and supplies and services. He said budgets are a continuum, not a single snapshot; we look at the actual revenues and expenses from the prior year and current year and make projections about the next year, the next biennium, and the 5-year forecast. He said one major goal is to ensure a sufficient ending fund balance. It's important to have a healthy ending fund balance so the university can withstand future uncertainties. He said the past year presents a good example of the importance of having a healthy fund balance, between the fires and the pandemic. Lovern said SOU's balance has also taken the brunt of a couple years of enrollment declines, though federal stimulus money may support the health of our fund balance temporarily. Walsh said it's important to take note of the difference between one-time money and continuing money. Lovern said having a healthy ending fund balance also allows us to support students, grow future enrollment, and support the mission of being a regional university.

Lovern discussed the prior year budget. He said in fiscal year 2020 (FY20) enrollment contracted by 4.6%. He said this was a greater contraction than what we predicted when we were looking ahead last year. He said in the year before, FY19, we saw a 4.5% contraction, so that makes two years of contraction. He said the state allocation barely kept up with inflation in key expense categories. As a result, we dipped into our fund balance, though not as significantly as many other institutions. We also undertook massive cost-cutting measures, which helped.

Discussing the current fiscal year, Lovern said that at this point we're about halfway through, and we're projecting an enrollment decline of 13.5% at this point. He said at the beginning of the summer the Vice Presidents of SOU got together and guessed what enrollment might look like. At that point they thought it would be down by around 10%. He said if not for the fires we would probably be very close to that. Woolf said the process of the Vice Presidents making their guess was pretty well data-informed, using best guess projections, not just gut feelings. Lovern said the enrollment decline pulled our revenue down 4% from what was in the budget. He said state allocations haven't yielded much fruit to date. He said without COVID relief funding our ending fund balance would struggle going into next biennium, even with strategic budget cuts and furloughs. He said we're carefully managing expenses and watching for revenue as well as cost-cutting opportunities. Walsh said some expenses are just the cost of doing business; we can cut some expenses but we still have to fulfill our academic mission, so we need to employ faculty, offer programs, etc. There are certain things we just have to do to fulfill our academic mission. Lovern said some people might think “why not just lay people off?” but in addition to being harsh, it also costs money to go through the process of hiring people. The pandemic is a temporary situation so we want to make sure we have the labor force in place when things get back to normal. Perkinson said we could spend an hour talking about this because we’ve spent 15-20 hours at the Cabinet level talking about what to do.

Lovern discussed the coming fiscal year. He said enrollment projections will continue to evolve. Budget and Planning, Institutional Research, and the Registrar’s Office make projections. He said modeling is an iterative process, and he’s working on an improvement that would bring data from the FAST budgeting program into the pro forma. Other modeling enhancements include SCH forecasting updates, and modeling upcoming biennia through 2030. Lovern said forecast scenarios will continue to be developed through the TAC’s process.

Revenues

Turning to revenues, Lovern discussed state allocations. He said Oregon’s legislature allocates money to the Public University Support Fund (PUSF), which is then distributed to the universities based on the Student Success and Completion Model (SSCM, also known as the funding model). He said Governor Brown’s proposed budget would keep the PUSF flat. He added that potential changes to the funding model suggest an uptick in funding for SOU, otherwise we’d be effectively down if the PUSF stays flat because costs continue to increase. Perkinson discussed the potential changes to the funding model and said the rulemaking process moves to the HECC next week. Lovern said once SOU receives the state funding it is distributed across campus by a model we manage based on SCH generated.

Continuing to discuss revenues, Lovern talked about tuition and fees. He said tuition rates vary based on several criteria, including class rank, resident/non-resident/Western Undergraduate Exchange (WUE), online/in-person, differential tuition, and so on. He said mandatory enrollment fees also vary, and they include the matriculation fee and health and building fees.

Lovern showed a graph displaying the changes in state support vs tuition revenue at all Oregon Public Universities since 1993-94. The graph shows that in 1993-94 state support made up around 57% of revenues, while tuition and fees made up about 43%. Since then, state support has dropped to as low as about 28% in 2013-14, though it has come back a bit to around 33%. Lovern said SOU’s expense portfolio has grown faster than state revenues coming back to us. The next slide Lovern showed looks at state support vs tuition at SOU over same period, and demonstrated that as state support has lagged, tuition has had to make up the difference. Walsh noted that this graph mentions FTE and suggested that Woolf might explain the difference between FTE and headcount. Woolf said basically, each person taking any number of credits counts as one person in headcount terms, but for FTE, which stands for full time equivalent, we take the headcount and divide that by 15 credits for undergraduate students and 12 for graduate students. Stillman said in terms of fiscal reality headcount is basically immaterial, it’s really about Student Credit Hours (SCH), so we use FTE.

Lovern moved to the next slide, which shows a graph of tuition and fees at SOU since 2009-10. The graph shows that tuition and fees have risen by about 75% since 2009-10. Lovern said that though tuition and fees have grown, we have tried to keep SOU's tuition and fees below the average for institutions in Oregon. This was shown in the next slide, which included a graph of the average tuition and fees for Oregon universities next to SOU's tuition and fees. Lovern said as our cost basis is growing we're getting closer to the Oregon average.

Expenses

Lovern discussed expenses. He said supplies and services expenses include things like travel and lodging, where the university has spent a decent chunk of money in the past, and which is an area we have to watch because the travel sector has increased prices faster than we have been able to budget for it. He said IT expenses are also included in supplies services, and software vendors increase costs year after year, though our CIO has done an amazing job at looking at every software package for need/value to campus and opportunities for reducing costs. He said other supplies and services expenses include repairs and maintenance, contracts, fuels, utilities, keeping the lights on, and so on.

He said employee-related expenses are made up of personnel & OPE (Other Personnel Expenses). Personnel includes faculty, administrative, and classified personnel. OPE includes retirement, core benefits, and debt service. He explained Steps and COLAs (Cost of Living Adjustments), pointing out that steps are related to years of service laid out in tables of progression, and they only apply to faculty and classified personnel. COLAs, on the other hand, are negotiated in the contracts for faculty and classified personnel, but decided by the President for administrative personnel. Lovern moved to the next slide, which shows growth in the costs associated with Public Employee Retirement System (PERS) and Optional Retirement Plan (ORP) expenses since 2010. He pointed out that the retirement system rates are rising far faster than we are able to recoup those expenses. He said there has been over 100% growth between 2010 and 2020, and these expenses are expected to keep going up. Walsh said it would be helpful for people to understand for the sake of context that retirement and benefits are costs paid by university, but not necessarily controlled by university. She said as one example, years ago, at a time when raises couldn't be given, Oregon's governor at the time changed retirement benefits to make up for this. She said another thing to keep in mind is that these costs are not just for our faculty, but for faculty for all 7 Oregon Public Universities. Lovern added that this is only the operational side; there's also the unfunded liability issue with PERS, which refers to the fact that the system is well short of the amount it needs to meet its pension obligations in coming years. Lovern moved on to look at costs related to the Public Employees Benefit Board (PEBB) which provides health insurance for our employees. He pointed out that SOU has maintained rather than increasing rates for the last couple years, though it looks like rates will rise in the next several years. He said SOU has opted not to drop our rates now, though this might be possible, so we can build up a fund in anticipation of the rates going up.

Budget Pro Forma

Lovern showed a slide with the budget pro forma, which lists the various revenue and expense categories and, at the bottom, the ending fund balance as a percentage of operating revenues. He said the pro forma allows us to change various levers—tuition, state funding, enrollment growth, remissions, etc.—to see how those changes affect the ending fund balance. He said the goal will be to get the figure on the ending fund balance as percentage of operating revenues line to be at least 8%, which was the request of the Board of Trustees.

Walsh invited anyone who had questions to feel free to speak up. She said it struck her during this presentation that SOU functions like a little city; we have to balance a multitude of revenue streams and expenses, and explain it to all of our constituent groups. Lovern agreed and said it's not uncommon for CFOs retiring from higher education to move into the management of a town. Walsh said it's really about the people, and that includes the students, who are a huge part of the population we serve. Everyone has to pull their weight in their own area and be accountable for how they manage their operation.

Lovern said the slides shown today are in the TAC shared folder for people to review on their own time if they'd like. He said with regard to the timeline we'll do a little more training, then start to model what things will look like under different scenarios. Perkinson said it would be ideal if we could get a recommendation from the TAC to the President in the mid- to late-March timeframe so she can make her recommendation to the board at their April meeting. He said it sounds like the University of Oregon may be one meeting away from finalizing their tuition process, and Oregon State University also seems close to being done. He said it's interesting and can be helpful to get a sense of the playing field. Walsh said it's worth noting that the University of Oregon and Oregon State University made some decisions last year that front-loaded their decision this time around. Perkinson said we're starting to get some indicators from Portland State University as well.

The meeting ended at 10:30am.