

Tuition Advisory Council
Friday, March 19th, 2021

Council Members (✓ indicates the member was present)

- ✓ Leslie Eldridge – Faculty Member
- ✓ Sarah Grulikowski – Student

Niko Hatch – Student

- ✓ Stasia Maxwell – 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, Josh Lovern, Neil Woolf

The meeting started at 9:30am.

Minutes

Stillman/Maxwell moved to approve the minutes from the March 12th meeting; the motion passed, 7Y/0N/0A.

Updates

Walsh discussed the meeting of the Board’s Finance and Administration Committee last night. She said the Committee is very dedicated and the Committee members take their responsibility very seriously. The Board of Trustees has a fiduciary responsibility for the university, and among other things, it’s responsible for hiring the President. Board members are based in different parts of the state, and they are very interested in the tuition setting process, which is a high priority for them. They definitely want to hear from the students in this process. Walsh said she gave an update on this Council’s process and progress at yesterday’s Committee meeting and Andrew Zucker and Josh Lovern discussed the fee setting process. She said this Council’s tuition and fee recommendations come with a high degree of credibility and trust on the part of the President, the Finance and Administration Committee, and the Board of Trustees. Slattery said having served on the Board he could confirm that they take their fiduciary responsibility very seriously, and also take their role in listening and taking advice--especially from students--very seriously.

Walsh proposed to give her interpretation of the Council’s current thinking and invited Council members to correct or modify her impression to make sure it’s accurate. She said she’s hoping to take a straw poll today to gauge what each Council member is thinking with regard to

resident undergraduate tuition. She said HECC Commissioners will be on campus to hear some of our Board discussion around tuition and fees. She said her perception of the Council's current thinking is that Council members are not too far apart with regard to tuition rates; probably somewhere between 0% and 3%. She asked if Council members agree. Several Council members confirmed this range; nobody voiced disagreement. Walsh said it might be best to proceed by having Lovern use the pro forma to model what those increments look like from 0% up to 3%.

Modeling Tuition Scenarios with the Pro Forma

Lovern displayed the pro forma. He said since the Council's last meeting the updated SSCM funding model has been announced by the HECC, so we now know how PUSF money will be allocated. He said the latest pro forma includes that new calculation, which has SOU receiving about \$113k less than in the previous version. He said we also have a better idea of how we will be able to use the revenue dollars from the Department of Education, with additional rules being sent out today. He displayed a spreadsheet with the behind-the-scenes calculations that feed different rates into the pro forma. He said this can help us see the effect on students in actual dollars. For example, the current rate for one resident undergrad SCH is \$196, so we can see that raising it by 3% brings it to \$202. He said the Board sees this spreadsheet, which helps show the bottom line for students. He drew attention to an apparent jump in WUE online rates, from \$196 to \$303. Stillman explained that this reflects a new rule, but we grandfathered current WUE students in with the old rule; only new students will be calculated at the new rate. Lovern said non-resident tuition is currently set at a 5% increase, and said it's been held at 4.99% for the last several years.

Going back to the pro forma, Lovern plugged in a 3% tuition increase. In this scenario, the ending fund balance as a percentage of operating costs (EFB) for 2020-21 would be 10.41%, then for the 2021-22 year it would go to -0.36%. Perkinson asked Lovern to add a stimulus of ~\$5.4 million. In this scenario, the 20-21 EFB would be 17.32% and the 21-22 EFB goes to 8.24%. Perkinson said we now have some rules around revenue, so we're now comfortable including that in our modeling. He said we'll add nuance to the allocation as we ingest and understand the rules, but at the higher level it's good to lay that in. Lovern modeled a 0% tuition increase for resident graduate and undergraduate students, and a 5% increase for non-resident students. In this scenario, the pro forma showed a 20-21 EFB of 17.32% and a 21-22 EFB of 6.86%, with the distance between the 21-22 EFB and 8% coming to \$706,000. Stillman asked why undergraduate SCH is set with such a high reduction. Lovern said the pro forma draws from the main SCH model, which is based on historical data, so the reduction pointed out by Stillman is the adjustment to get the SCH down to this year's SCH projection, which factors in recent events and trends that don't show up in the historical data. He said it's better to make this unique adjustment rather than discard the model or mess with it directly, though we will have to take another look at it down the road because the future years will be affected by COVID impacts.

Eldridge asked for a reminder of why an EFB of 8% is the target. She asked if that is what was recommended by the Board of Trustees. Walsh said yes, an EFB of 8% is what the Trustees have said they don't want us to go below. She said going below that wouldn't allow us sufficient cushion to absorb a shift in state funding or other unanticipated impacts. She reminded Council members that some experts say a good target EFB might be as high as 40%, though some say 20% is better. She said 8% is where the Board is 'comfortable being uncomfortable.' Lovern said another good way of looking at it is to see how long the university would be able to ride through any rough patch. Walsh said she also wanted to mention that it's important to balance this cushion with investments in things that will hopefully grow revenue.

Stillman said looking at the scenario currently displayed (0% tuition increase for resident graduate and undergraduate students, and a 5% increase for non-resident students) it appears that without cost reductions the EFB would be 6.87% for 21-22, which is \$706k shy of the 8% EFB floor recommended by the Board. Lovern said that is correct.

Lovern changed the pro forma to reflect a tuition increase of 1% for resident graduate and undergraduate students. In this scenario, the 20-21 EFB would be 17.32% and 21-22 would be 7.32%, a difference of \$425k from an 8% EFB. Slattery asked what cutting \$425k would mean and where it would come from. Lovern said there are a variety of areas where cost cuts could come from, or maybe enrollment will increase rather than go down 3% as we're projecting now. He said in the current pro forma under 'other adjustments to labor' there's an added cost of \$500k for July 1 – September 6 because we think some areas will need to come off of furlough, and there's also a credit of \$250k in there for the lotto money, but it's also possible that the lotto money won't come.

Lovern adjusted the pro forma to reflect a 2% tuition increase for resident graduate and undergraduate students. In this scenario, the pro forma showed the 20-21 EFB to be 17.32% and the 21-22 EFB to be 7.79%, \$132k away from 8%. Eldridge said this is actually fairly encouraging, and she is starting to feel really comfortable with something like 1.5%. Slattery agreed. Lovern displayed a 1.5% tuition increase. In this scenario, the 20-21 EFB is 17.32% and the 21-22 EFB is 7.59%, \$257k from 8%. Woolf said anywhere between 1% and 3% would be fine with him. He said from a marketing standpoint, anything below 3% is good. He said from a retail theory standpoint you'd look at going as high as you could as long as people still feel like they're getting a good deal, but as mentioned at the TAC webinar, we're not just about creating profit; we have to balance the university's finances with the student experience. Lovern adjusted the pro forma to look at an increase of 1.99%. In this scenario, the 20-21 EFB is 17.32% and the 21-22 EFB is 7.79%, \$134k from 8%. Slattery asked what impact would be made by changes in undergraduate SCH. Lovern changes in undergraduate SCH would have a very significant impact.

Lovern modeled a tuition increase of 2.99%, which showed a 20-21 EFB of 17.32% and a 21-22 EFB of 8.16%, \$102k over 8%. Woolf said it may also help to think about indications that it may be a rough year for enrollment; we know for sure transfers will be down, the wild cards are still freshmen and returning students. Lovern said the current model can't independently modulate

specific tuition categories, so it can't reflect that nuance. Stillman said we're guessing at our projection of an enrollment decrease of 3%, not to mention trying to model that kind of nuance. Slattery said that's worrisome because if we guess wrong then we'd have to make up the difference in the future with a higher increase. Perkinson said or cost cutting or something like that. Slattery said there's also the high school variable. Lovern added that there's also the question of when the RCC pipeline will be back; there's a gaping hole there now. Walsh said if 3 feet becomes the new 6 feet for social distancing that is likely to help RCC. Stillman said it will probably take a few years to come back out of the dip in the RCC pipeline. Lovern said that few years looks like it may overlap with demographic cliff we've been predicting.

Maxwell added in the chat that she is in alignment with Woolf and Eldridge and some of the points they made.

Woolf said he thinks it will be a long time before RCC gets back to where they were; they had a system crash and burn. He said he has to go to another meeting, but he would be more comfortable with an increase of 2.99%. He said he'll stand by whatever this group recommends, as long as students can see that it is important for the university and not price gouging. Slattery said he agrees.

[Woolf left]

Eldridge said she would be okay with 2.99% but she's more leaning toward 1.99%. She said she definitely sees the rationale for 2.99% but she's a little happier with 1.99%. Walsh said it's fine to have that squishiness, it's helpful to close the 0%-3% gap.

Stillman said he would recommend one of 2 approaches; either as close to 3% as we're comfortable with or no raise. He said there's no enrollment benefit talking about 1% versus 2%, though he said he's not blind to the impact that difference has on students. The other option is, knowing what the last year has been like, commit to no increase.

Youngs said she agrees with Stillman's thoughts. She said she would of course prefer to not raise tuition, but the two options as presented by Stillman are sensible.

Grulikowski said she would be in favor of 2.99% for a variety of reasons. For one thing, enrollment may be further down than we expect. She said in the student fee process the students have assumed lower enrollment than what the university thought and that has turned out to be beneficial in the past. She said she also agrees that the difference between 1% and 3% is not likely to have too much impact on students' perceptions and decision-making. She said thinking about issues like the RCC pipeline, the predicted demographic cliff, and so on, she thinks the survivability of the university is a big factor to be considered. She said it would be best to avoid big increases in future years to whatever extent possible; consistency gives more confidence in the institution and makes it easier for students to plan their future, so if being on the higher end this year avoids big changes in the next couple years, that would be better. She said there are other ways to incentivize cost cutting measures, and there can still be

conversations about things like Raider Aid and OERs to help students manage costs. She said even if tuition is flat in her freshman year, if it then goes up 5% or 6% her sophomore year, that's still a problem.

Walsh said she appreciates the wisdom and perspectives shared by the Council members. She said she agrees with what others have said and added that she would feel better at 2.99%. A year from now we'll have a much better idea where we are post-pandemic; now we don't have anything to trend on because of uncertainty. She said she usually relies a lot on student behavior patterns and she doesn't have a good sense of that right now.

Slattery expressed his appreciation for everything said, and especially what Grulikowski said, because it expresses much of what he's been thinking. He added that we're getting to our numbers with the help of one-time stimulus money, so he agrees with the approach of limiting future increases and not putting the burden on future years by keeping tuition flat this year. Walsh said she will share the straw poll results from today with President Schott.

Perkinson reminded the Council of the approach used a couple years ago, when the Council recommended a range of options. He said the Council could recommend a specific number but also say that anything within a certain range would be okay. He said there are so many variables and unknowns at this point that he wanted to remind the Council of that option.

Stillman asked if it would help to look at another year or two in the future in the pro forma. He said he would be particularly interested in seeing what freezing tuition would look like for those further-out years. Perkinson said he and Lovern and others have looked farther ahead in other conversations, and there are a lot of pressure on state revenues in the next few years. He said looking at the second year of the biennium does give more perspective, and it's not pretty. Stillman said he would feel more comfortable thinking through tuition and fees with that bigger picture in mind.

Walsh said one thing worth mentioning is that we don't know how much money the state of Oregon is going to get from the stimulus. Perkinson agreed and said he's seen a number, and it's a good number, but his confidence in that number is not high at the moment. He said there is some fear that the universities may not be getting a bump in PUSF funding because the stimulus may be so healthy.

Lovern adjusted the pro forma to also show the 22-23 year. With a tuition increase of 2.99%, the EFB in the 22-23 year goes to -3.41%. Perkinson said that cost base has not been laid into the model yet, but it shows that we really need help on the revenue side and/or a pretty good scalpel on cost side. Slattery said or a big stimulus.

[Slattery left]

Stillman asked what the SCH assumption is in the 22-23 year as modeled here. Lovern said it models flat SCH. He said other variables may change, like PEBB, which may jump, or S&S which

may be overstated here, but we've been flat in S&S for years, though costs keep going up, so it's not unlikely that S&S might go up.

[Maxwell left]

Grulikowski said she really appreciates the ability to look at future years. It really helps think about that point of avoiding big increases in the future. Walsh said the only thing that makes her feel a little better is the knowledge that we're not just missing some piece of available information, there are just such big question marks right now. We can't underestimate the impact of vaccines rolling out and other changes. Just two months ago we didn't know where we were going to be with regard to face-to-face classes, and things have been changing quickly. Stillman said if we really do face-to-face in the fall and see good vaccine rollout, maybe enrollment won't be as bad as we've worried it will be.

The meeting ended at 10:57am.