Tuition Advisory Council
Friday, March 11th, 2022

Council Members (✓ indicates the member was present)

- ✓ Samuel David – Faculty Member
- ✓ Blake Jordan – Student
- ✓ Erica Knotts – Faculty Member
- ✓ Dallas Ransom – Student
- ✓ Gabrielle Slyfield – Student
- ✓ Keeley Reiners – Student

Matt Stillman – Administrator

- ✓ Susan Walsh – (Chair) Provost and Vice President for Academic Affairs

Guests Present
Greg Perkinson, Josh Lovern, Alicia Gerrity.

The meeting started at 1:03pm.

Minutes

Ransom/Reiners moved to approve the minutes from the March 4th meeting; the motion passed, 6Y/0N/0A.

Holding Dates for Board Meetings

Walsh mentioned a couple dates she wants the Council members to hold on their calendars. She said the Council's recommendation to President Bailey will be timed so he can make his recommendation to Board of Trustees at their April meetings. She explained that the Board has 4 subcommittees – Academic and Student Affairs, Finance and Administration, Executive and Audit, and new committee being established around elections and governance. On Thursday, April 21st, the Finance and Administration Committee will meet from 4 – 6pm, and this will be the first time the recommendation is formally shared with the Board. Then, on Friday, April 22nd from 12pm – 5pm, the Board of Trustees has its full meeting. She said we don't expect every Council member to be present for both meetings, but we feel that it's important for the Board to see and meet those of you who are able to be present. They put a lot of trust in our work and the process, so it's important for them to get to meet you and for you to see how seriously they take it. Calendar holds for the two dates mentioned will be sent to the Council members.

HB 4141 Checklist

Lovern displayed a checklist of items needed for compliance with HB 4141. He said the checklist is intended to make sure we're meeting the requirements, but also for everyone on the Council to see the requirements and have a chance to say if they want more information on any items.

Lovern went down the list and checked off items, asking Council members to stop him if they want any further information. Looking at number 5 on the checklist, which discusses what would be required if the Council were to recommend a composite increase greater than 5%, Walsh provided some high-level background on the requirements. She said the 5% number is established by the Higher Education Coordinating Commission (HECC). In 2014, the Oregon University System (OUS) began disbanding, and that meant that the seven public institutions were approved to have their own institutional Boards of Trustees. All seven institutions used to report to the Chancellor's office under the OUS, but now each has its own institutional Board, and that is where this process moves forward on each campus. The HECC established the 5% cut point so if an institution's Board approves a composite tuition and fees increase of 5% or greater, that institution's leadership is required to go before the HECC commissioners to provide a rationale for the increase, document its consideration of the impact to the institution's mission and students, and receive the HECC's approval. If a composite increase between 3% and 4.99% is approved by the Board we still have to provide information to the HECC but we do not need their formal approval. Lovern noted that the 5% cut point was codified into law as well, so that's what we're following. Lovern finished going through the checklist and asked if the Council members agreed with what was checked off as completed. Council members nodded and there were no objections.

[Perkinson joined the meeting.]

Pro Forma

Lovern displayed a cost matrix with tuition and fees which he said gets shared with the Board of Trustees. He reminded the Council that the composite of mandatory tuition and enrollment fees is what the HECC looks at. He then showed a version of the cost matrix using some numbers he selected to see what it might look like if the recommendation were to raise the composite rate by just under 5% and noted that in this matrix the Building fee has been split out as mentioned at the last meeting.

Lovern said we tend to update data about once a month in Pro Forma and noted that the data feeding into the current Pro Forma was updated on 2/22/22. He showed that changing the levers on the back end means that the modeling in the Pro Forma will change, which can be seen on the tuition, fees, and raider aid lines, and which is reflected in the ending fund balance at the bottom of the Pro Forma. He said Raider Aid has been set at 9% but that can be changed, as can tuition rates and fees. He invited the Council members to ask about different scenarios and see the impacts of changing some of the levers.

Perkinson suggested starting by looking at a 3% raise in tuition. Lovern changed all variable tuition categories to reflect a 3% raise (Western Undergraduate Exchange [WUE] tuition is fixed at 1.5 times the undergraduate resident rate. Also, this does not include certain graduate programs whose rates are set by a different process). This scenario produced the following projections for 2022-23:

> <u>3% raise to all variable tuition categories</u>
> Ending Fund Balance as a percentage of Operating Revenue (EFB): 2.53%
> Total Revenue: $63,798,000
> Tuition Revenue: $33,989,000
> Tuition per Student Credit Hour: $207
> Difference in Tuition per Student Credit Hour from Current: $6

[David joined the meeting.]

Lovern said he looked into what would be the tuition rate change that would get the composite rate as close to the 5% threshold without going over; that would be a 4.4% increase to all variable tuition categories.

> <u>4.4% raise to all variable tuition categories</u>
> Ending Fund Balance as a percentage of Operating Revenue (EFB): 3.19%
> Total Revenue: $64,229,000
> Tuition Revenue: $34,420,000
> Tuition per Student Credit Hour: $210
> Difference in Tuition per Student Credit Hour from Current: $9

Walsh said it would be good to talk about what this kind of a tuition rate increase would mean in terms of the impact on students. Lovern said that looking at a full academic year, tuition would be $405 higher and fees would be $165 more, so total tuition and fees combined would increase by $570.

Walsh asked for thoughts from the Council members on these numbers. David said that is an increase. It may be fine, but it is definitely an increase. On the other hand, it's not like a 10% or 15% jump. Lovern said we could certainly look at those higher numbers, or maybe try to create scenarios aimed at hitting certain numbers on the Pro Forma. Walsh said yes, we could try to triangulate things and back into a certain percentage if people want to see that. David said the 4.4% tuition increase currently modeled isn't that massive, but he's been hearing that we've received a lot of COVID money from the government. He asked if increases in later years when we don't have that COVID money will be much larger. Perkinson clarified that there are two broad categories of COVID money we received. The first totaled about $9M across three increments and was to go directly to students. The second type was meant to cover lost revenues or direct expenses related to COVID, or some combination of the two. He said we chose to document the lost revenue from COVID and we've got about $9.5M in that second category that is not currently allocated. The Board of Trustees has made a decision to spread that amount over 3 years to give the new President some runway, and that's reflected on the current Pro Forma. The Board also said they'd prefer an EFB of 15%. He said we're very thankful to have the federal money, but its one-time money, and ideally, we want recurring dollars because our expenses are recurring. He said we've done a great job in being able to actually add to our EFB during the pandemic. Walsh added that the decisions made about tuition last year were to keep the rates as low as possible and keep fees pretty flat. Perkinson said last year there was a strong focus on affordability. We kept housing affordable, and housing is getting crushed, including dining, which is being hit by inflation. They're trying to mitigate the impacts and we're hoping they'll be successful in keeping increases low. Walsh said all of that is part of the whole cost of attendance package, you can't just look at tuition.

David said it sounds like there's not a lot of excess COVID money floating around. He said the impression he had gotten by talking with others was that the University has a lot of federal money from COVID, something like $10M or $15M floating around. Perkinson said in the early days of the pandemic we developed a tracking method to track lost revenue and direct expenses. We've received in total about $22M but the pandemic impacts have been significant and ultimately when you look at the math of the lost revenue and the expenses, the math is not what he would want it to be.

Lovern showed a graph with SOU's EFB from FY07 to FY22. Knotts said it would be great to have an EFB close to 15% as an end goal, but what is the ideal EFB we would want to aim for. Lovern said the rate recommended by the National Association of College and University Business Officers (NACUBO), which we talked about at an earlier meeting, is about 40%, which means one full term of operations, basically. Walsh said she would want to qualify that by noting that historically SOU has not enjoyed that kind of EFB. That's aspirational, we want to be clear about that, our Board has been in the conversation about what they're comfortable with, where we feel like we can do the things we need to do for 60 days or 80 days in an emergency. Perkinson said that's a good point. He noted that on the graph of SOU's EFB history you can see that when we started our road to independence we had an EFB of 2.1%, so we had that little wiggle room. Walsh pointed out that SOU went into retrenchment shortly after that. Knotts asked what would be something that would feel realistic as a goal. Perkinson said about a year after he got to SOU in 2017 we missed a revenue projection--we thought enrollment was going to go up, but instead it went slightly down, and the swing was about $3-4M. The legacy OUS standard EFB target was 10% and if it got below 5% there would be talk of retrenchment. That standard has gone away now that we have our own Board. He said looking at the future we need to bend the cost curve, which is going up because PEBB and PERS are going up. We try to control costs through various things like keeping positions vacant, etc., but we need to bend the cost curve. He said those who watch next week's Finance and Administration Committee meeting, which all are invited and encouraged to do, will see some ideas for bringing in recurring alternative revenues. What we don't want to do is try to get stability on the backs of students. Lovern agreed and said we don't want to get stability on the backs of any one particular labor group, like faculty or staff; it's a balancing act. Knotts said she finds the projected EFB of 3.19% in the under 5% composite increase scenario a bit scary, and the only reason we're not there now is COVID money. She asked what year of the 3 years of COVID money are we in now. Perkinson said we're in the first of the 3 years over which the COVID money is being spread, and that brings us back up to just shy of 8%. He said it's not where we want to be, but that runway gives us time to continue working on cost control and revenue generation. Walsh said we have some initiatives we've been working through that we're hoping will show results, but they take time. There's no "flip a switch" and get immediate benefits, but we should start seeing the benefits of some recent decisions soon.

Knotts said we don't want to increase tuition too much and put things on the backs of our students, but also, we don't want to have that 3.19% projected EFB. Perkinson said one thing included in the projection modeling is that we fill the unfilled positions. Using his organization as an example, he said there are some positions we have kept unfilled for a couple years. It hurts but we're making do. The Pro Forma assumes we're going to fill those positions, so it's a conservative forecast on labor. As we get into execution we look at what we can keep vacant, whether there can be reorganization, etc. For example, we think when we replace Banner we can be more efficient. Walsh said another example is that Woolf and his team started working with Ruffalo Noel Levitz a couple years ago so we can better use our scholarship money, to put together more appealing aid packages and attract more students. This has paid off in just a couple years and it's an example of the sort of thing that shows promise but whose benefits may not materialize right away.

David asked for confirmation that the 3.19% EFB projection is if we do fill vacancies. Perkinson said yes. Lovern clarified that what Perkinson said is accurate, but it does include some vacancy factor that is a known vacancy factor; for example, there's some assumption that people may leave in the middle of the year. Walsh added that there are some things we can't account for in our predictions, like when someone relinquishes tenure earlier than expected. She said to paraphrase former Secretary of Defense Donald Rumsfeld, there are knowns and unknowns and known unknowns as well as unknown unknowns.

Lovern said another thing included in the current projection is an enrollment decline. He said his model is projecting a 4.7% decline in undergraduate and a 2.5% decline in graduate enrollment. He said Stillman's models look more promising, so we could look at how things change if we were to use his rates. Lovern adjusted the Pro Forma to show the effects of a decline in undergraduate enrollment 0.5% better than his own projection; this brought the EFB to 3.26%. He asked what others thought enrollment might look like. Perkinson said he thinks it would be best to enrollment modeling and data to Stillman, Lovern, and Woolf. Walsh agreed and said she thinks enrollment projections might be a good topic for next week's meeting. Perkinson said to him the more important philosophical question is price sensitivity--how much feels like too much.

Walsh said this might be a good time to look at, based on what we've heard today, how much appetite there is for looking at an increase of 5% or greater versus trying to stay under 5%. She said it would be good to think about how we're feeling on this, what is our level of comfort, and maybe consider taking a straw poll.

Slyfield said she would like to take a look at the effects of a 15% tuition increase. Lovern made this change in the Pro Forma:

<u>15% raise to all variable tuition categories</u>
Ending Fund Balance as a percentage of Operating Revenue (EFB): 7.89%
Tuition per Student Credit Hour: $231
Difference in Tuition per Student Credit Hour from Current: $30

Walsh said that would be largest tuition raise in a long time. She said we did go to the HECC with a double digit increase several years ago. Perkinson said on that occasion the state provided some more money to the university, which reduced that raise by about 3%.

David asked what it would look like with a tuition raise of 12%. Lovern made this change in the Pro Forma:

<u>12% raise to all variable tuition categories</u>
Ending Fund Balance as a percentage of Operating Revenue (EFB): 6.6%

Lovern also modeled a 4.99% tuition raise:

<u>4.99% raise to all variable tuition categories</u>
Ending Fund Balance as a percentage of Operating Revenue (EFB): 3.45%

Perkinson highlighted that these numbers assume no other cost cutting, but there will be cost cutting. Walsh agreed and said there are other things that will happen to affect these calculations, there are a lot of unknowns, and we can go in several different directions, but if we want to stay with the 4.99% conversation we can do that. Alternatively, we can look at 5% or more, that would take us in a different direction. Knotts said her initial reaction is that our students are already having trouble with the current cost of attendance, so if we go too high, that's not going to go well. She said she would want to hear more from the students, but this is what worries her because our students already can't afford to come to school.

Ransom said looking at overall costs not including tuition, it's about $20K. He said once you get over 5% the question starts to be "what did they add, am I going to get a 10% better education?" He said he doesn't know too many people who are college-age who can make enough money and go to school at the same time to be able to afford it. Reiners said she comes from out of state, and looking at the cost for non-resident tuition, it would make her want to reconsider SOU and look harder at staying in state because she is paying completely out of pocket. Lovern said we could look at non-resident rates separate from the others if we want to do less of an increase for that one tuition category. Ransom said a big selling point for SOU's MBA is keeping it under $20K, so any raise that would affect that would be an issue. Walsh said the tuition rates for the MBA online are set differently, and the same is true for our online MSEd. Lovern said those are worked out separately from this process. Ransom said there's only so much you can bend before things break with graduate and out of state rates. Walsh said another thing we keep our eyes on is what other institutions in the state are doing around tuition setting. Once we start getting an idea of what the other Oregon Public Universities (OPUs) are doing, that may influence our thinking. Lovern added a note in the chat saying that the University of Oregon is raising their resident undergraduate rate by 4.5% and their non-resident rate by 3.0% for their incoming cohort.

Jordan asked if housing figures into this. Walsh said housing definitely does come into the total cost conversation. Jordan said he's a WUE student, and that was a really big selling point coming from California. The costs at SOU were competitive even with some schools in his hometown. He said the thing he's worrying about a lot is housing. He said he understands that housing costs are tied to utilities and etc., but he asked if there's any wiggle room with that. Perkinson said that's a great question. The biggest factor in the housing rates related to North Campus Village is balancing the revenues we take in and payments to the public/private partnership to pay debt service. We try to keep rates as low as possible and keep occupation numbers high. For the last couple years we've been at or under a 3% increase for housing rates, trying to keep them low. Lovern noted that though it's definitely part of the broader picture we take into account, this group doesn't decide Housing rates, just tuition and mandatory enrollment fees.

[Slyfield left the meeting.]

David asked why we don't look at things in another way. If there were no tuition increase we wouldn't be in a good financial situation, but even with a 5% increase it looks like we would not be in a great financial situation, so why don't we look at other ways of increasing revenues. Walsh said we are looking at other ways of increasing revenues, but those often take time to manifest in a positive way. She thanked David and said it's good to remember that piece and also to do cost-cutting where we can continue to make progress. Walsh said it might be good to do a straw poll at next Friday's meeting.

Knotts added a note in the chat to ask about decreasing the Student Recreation Center fee. Walsh said we can discuss this at the next meeting, but briefly, that fee comes from a student referendum.

The meeting ended at 2:34pm.