Tuition Advisory Council
Friday, February 10th, 2023

Council Members (✓ indicates the member was present)

- ✓ Blake Jordan – Student
- ✓ Derek Keller – Faculty Member
- ✓ Erica Knotts – Faculty Member
- ✓ James Miller – Student
- ✓ Keeley Reiners – Student
- ✓ Matt Stillman – Administrator
- ✓ Julissa Taitano – Student
- ✓ Susan Walsh – (Chair) Provost and Vice President for Academic Affairs

Guests Present
Greg Perkinson, Neil Woolf, Chloe Fiveash.

The meeting started at 3:30pm.

Walsh reminded the group of the Tuition Advisory Council page on the President's Office website and encouraged people to take a look if they haven't already. She asked if anyone has questions about what was discussed at the last meeting.

TUITION AND FEES – THE TUITION ADVISORY COUNCIL'S ROLE

Perkinson shared his screen with a PowerPoint presentation. He provided an overview of the Tuition Advisory Council, including the group's membership and the Council's role in the tuition and fee process. He said the group will be given training and information to help understand the current health of the university's finances so they can balance that with their perspective and consider the needs of students and the institution to make their recommendation to President Bailey.

He mentioned the requirement that if the composite increase will be greater than 5%, that would require a presentation to the Higher Education Coordinating Commission (HECC) for approval. He said we would not want to have a rapid increase in tuition costs anyway, but that requirement is worth noting.

Perkinson discussed how the Council will review data relating to the tuition conversation. He said there will be plenty of opportunities for feedback and noted that Council members are bringing their distinct perspectives to the table. Walsh noted that HB 4141, the statute that governs this process, does dictate the membership of the Council, with two students from the student government and two from historically underrepresented student populations, as well as members of the faculty and administration. She said the makeup of the membership is intentional, but we build from there and everyone brings their perspective. Perkinson mentioned that the student government is representative in a different sense than what is called for by the statute in this group. He said the statute does not say we are required to do tabling in the Stevenson Union or survey all students.

Perkinson discussed mandatory enrollment fees and mandatory incidental fees. He said the student fee process has a lot of rigor, which he appreciates. Mandatory enrollment fees include the matriculation fee, the health center fee, and the building fees. Mandatory incidental fees include the student incidental fee and the student recreation center fee. He said Housing room and meal rates are set by university administration through a separate process; they are not included in the composite rate reported to the HECC. He said this is consistent across the 7 Oregon Public Universities.

Perkinson mentioned that some of SOU's Board members have been in that role for a long time and are very knowledgeable, while others are brand new to the Board. He said that as we work through this process, it will culminate with educating the Board about the process and its outcomes because we want them to understand what we're both what we're doing and why we're doing it.

Knotts said that last year she was a member of the Tuition Advisory Council and the Council made its recommendations before it had heard about the new Housing rates. Then, it turned out that the Housing rates were getting a significant bump. She asked if the is any way for the Council to get the Housing rate information earlier in the process. Perkinson said he would quibble a little bit; the Housing increase was not over 4% and the meals increase was closer to 3%. Knotts said her concern was more about how it affects costs to students when those Housing rates are added to tuition and other fees. Walsh said that gets to the "total cost of attendance" conversation. Perkinson said he could pull the total cost of attendance chart from the materials presented to the Board of Trustees last April. Walsh said Knotts brings up a good point; though the percentage may not seem as consequential, the dollar amount can feel significant. She said it might also help to know the reason for those increases. Knotts said it would be helpful to have that information, or at least updates as to where Housing thinks those rates are headed as the Council is making its decisions. She said this would help the Council to be more well-informed as to the bigger picture. Perkinson said one thing he can say right now is that he will not allow a Housing rate increase greater than 4% through his office. He added that inflation is a significant factor, and dining costs must cover groceries and labor. He said we have a new general manager in dining and that's a net-revenue contract; we find ways to pressure them to keep their rate increase really small. Last year, for example, we created some less expensive dining plan options. Perkinson said Knotts brings up a good point, keeping the Housing rates in mind does help provide context.

HOW SOU BUDGETS

Perkinson discussed the university's budgeting process. Discussing revenues and expenses, he referred to President Bailey's comments in different public meetings where he has said that R (revenue) needs to be is greater than C (cost). He said on the cost side of the equation, personnel costs make up around 80%, with the rest mostly in supplies and services (S&S). He said what President Bailey is driving at is that we really want to drive the revenue side up.

He said budgets are a continuum; that is, a process, not a snapshot. Because of the biennial nature of our funding, it's really a two-year cycle for us. In the first year of the two-year cycle, our planning has greater uncertainty, but in the second year of the biennium we know exactly what the state's going to give us. He said the goal of our budgeting is a healthy ending fund balance (EFB). He said there are different ways to manage the balance sheet, but we manage three primary fund types in SOU's portfolio. The first one, and the one the Council will hear the most about is the Education and General Fund (E&G). That's where our state funding and our tuition and fee dollars land. The other two fund types are 1) Auxiliaries, which include Housing, Parking, the Student Health and Wellness Center, etc. (these are intended to be self-supporting), and 2) Designated Operations (Des Ops), which include things like print/copy and Jefferson Public Radio. Adding all of SOU's fund types together, they total about $90M, but E&G makes up around $65M.

Perkinson displayed a slide showing SOU's E&G Ending Fund Balance as a percentage of Revenue from FY07 through FY22. He said this shows the cyclical nature of SOU's fund balance. Basically, above the green line at 10% can be thought of as good, and below is bad. He pointed out that the university had a low fund balance before the recession in 2007, then it went up and the university had some good years. Then, there were some bad years around 2012-14, when the university went into retrenchment. He said the point of this chart is that an EFB above 10% is good, and it's been a mixed bag. He said one of the leading higher education accounting firms did a study about EFB and they recommended that 40% of operating revenues should be held as fund balance. That would give the university the ability to make payments for about 4 months, a shock absorber so if something bad came along the institution would be able to ride through it. He said SOU, which has had EFBs between 2.10% and 12.76% since 2006, is well below that target.

PRIOR FISCAL YEAR

Perkinson discussed a slide showing what happened with SOU budgets in the prior fiscal year. He said we saw a softening of enrollment, with Student Credit Hours (SCH) contracting and tuition revenues decreasing. The dollar amount of state allocations increased, but barely kept up with inflation and didn't keep pace with increased costs. He pointed out that this doesn't show roughly $3M of federal dollars that saved our backside. As we navigated COVID, we received some great direct aid, and the Board of Trustees approved us splitting this $9M over 3 years. They were one-time dollars, but they really saved our bacon.

Walsh asked if Perkinson could go into greater detail about this funding and how it was passed along to students. Perkinson said we developed a rigorous process with Financial Aid; students completed an application and dollars were provided directly to students based on that. Knotts asked if the same process will be happening this year. Perkinson said we exhausted that direct aid to students last year and the money we're receiving this year was justified separately. He said the process by which we got these funds included an enormously complex calculation that documented lost revenues. That provided the basis for what is basically flowing like a grant, and now our finance team has to report our status against those grant dollars in a rigorous way.

Perkinson moved on to a slide discussing the current fiscal year. He said these are the same talking points you would have heard if you had attended the last meeting of the Board of Trustees' Finance and Administration Committee. We're seeing is a softening of revenue, and enrollment is a little softer. He said thankfully, we had a nice offset in miscellaneous revenue; about 2 years ago we re-financed the bond for North Campus Village because interest rates were crazy low. We restructured that loan to provide interest-only payments for the first 3 years, which allowed us to free up about $4.1M cash. We lost a lot of Housing revenue because of COVID, but we were able to take care of students that needed additional support, and then occupancy came back in Housing, and that's enabled us to push cash into 4 new reserve accounts. We got about $3M back and pushed some of that over to E&G. The bottom line is we pulled more money over from housing because we designed refinancing to free up some cash. Again, it's a one-time correction, not recurring. He said another thing is that we've been holding vacant positions vacant where we can. The net effect this year is about $2.9M in savings, and it's mostly in Walsh's and my and Neil's areas. What we're going to see next week, as President Bailey holds the next town hall, is that we're going to make some of those vacancies permanent. Walsh said that Town Hall is on Thursday, February 16th.

Perkinson moved to slide about the next fiscal year. He said Josh Lovern, Matt Stillman, and Joe Jackson will work together to put together enrollment projections. It's an art and a science, and enrollment is a huge driver for revenue. Next week we'll spend some more time on those projections and also talk about some of the savings in labor, supplies, and services based on Core Information System Replacement (CISR), a $10M project that's going to save us $900K year over year and will also mean efficiencies in processes.

REVENUES

Perkinson discussed state allocations and how they come to SOU. He said the legislature meets to propose a budget to the Governor and the bucket of money for the universities in the budget is called the Public University Support Fund (PUSF). That bucket is about $1B for the seven public universities. Walsh reiterated that the funding is for two years, and in the tuition and fee process during the first year we don't know what the final amount will be, but in the second year we have a little more certainty because we know that number. Perkinson said the current fiscal year state funding for SOU is $26.8M; that's what was allocated through the Student Success and Completion Model (SSCM or Funding Model), which is a massive spreadsheet. There are three major components in that model: mission, activity, and outcomes. It's very complex and what comes out the other side is the funding we get from the state. He said we're projecting $27.4M next year with the normal incremental improvement based on current service level. He said we've coined the term "true base funding" to refer to the amount of funding it would take to keep us at the current service level with rising costs. The increased costs of operating at the current service level are around 8.2% - 8.4%, which is pretty closely tied to inflation. The main drivers of rising costs are PEBB and PERS. Walsh explained that PEBB (Public Employees' Benefit Board) is health benefits for faculty and staff, and PERS (Public Employees Retirement System) is the retirement fund for faculty and staff. Perkinson said the main takeaway is that state funding churns through the model to determine what each university gets. Walsh said there is a little additional nuance because some degrees are weighted more than others in the model. For example, we get more for awarding STEM degrees than degrees in the humanities or education. Also, awarding degrees to some specific student populations, like veterans, get us extra points in the model. She emphasized that the model bases its calculations on degrees conferred, not student headcount or some other measure, so we focus on retention and getting students to the finish line, not just attracting students. Keller added a comment in the chat to mention that the model also rewards conferring certificates. Walsh thanked Keller and said yes, certificates are another component.

Knotts said she recalls seeing an article last year about bias in the funding model. She asked if there have been any updates and if that bias has been addressed. Walsh said Knotts is correct that there was a study by some of our faculty members about the funding model and whether there was gender bias built into it. She said the study looked at the model and found that it gives extra weight to disciplines that have historically enrolled more men than women. She said the study started a good conversation. Some people disagreed with findings, some thought they should be examined more closely, but it doesn't seem to have gone anywhere after that. Perkinson said the study was great and the presentation from faculty was fantastic. His sense of the Commission's response was that some of the Commissioners were really interested, but he saw no movement from the HECC staff.

Perkinson moved on to discuss tuition and fee revenues. He said tuition rates vary by class, residency status, whether the student is online or in-person, and so on. Mandatory enrollment fees also vary.

EXPENSES

Transitioning to discuss expenses, Perkinson said he wouldn't dive too deeply into supplies and services (S&S) at this time, but those expenses include things like office supplies, utility bills, contracts, travel, IT expenses, and so on. He said we've cut these expenses to the bone and held them flat for academic departments, so Council members have probably felt this pain over recent years, as everyone at the university has.

Perkinson discussed expenses associated with personnel and OPE (Other Personnel Expenses). He said there are three personnel categories: faculty, unclassified administrators, and classified staff. Other personnel expenses include retirement debt service, healthcare insurance, and core benefits.

Perkinson moved on to the next slide, which addresses some questions relating to labor expense increases, like the meaning of a faculty year in rank, a classified step, a cost of living adjustment (COLA), and an across the board increase (ABI). He said this gets in the weeds, but it defines some of the language behind labor-related expenses.

The next slide provides a historic look at retirement expenses, PERS and the Optional Retirement Plan (ORP). Perkinson said last year's retirement expense was $8M and he pointed out that those expenses were at $3.4M in 2010. He said we're seeing an increase of roughly 20% per year. He said for those of us who are in the retirement system, it's a great benefit; similarly, the health benefit is great, they're just expensive for the university. He said that the good news is that the PEBB rate increases are fairly flat. He said in the last fiscal year it was $6.7M, not including FICA (which stands for Federal Insurance Contributions Act, a U.S. federal payroll tax) and some other things, but it has held fairly stable rather than increasing at an insane rate.

Walsh said some might wonder why the health benefits are considered great. She said it's because the employer picks up of 95% of the cost, for both faculty and staff. Perkinson said there are three rates; two of the plans are 95% picked up by the employer, while the third, the lowest cost plan, is picked up 97% by the employer. He said by way of contrast that in Washington and Idaho the employer picks up 85%. Woolf noted that those rates are prescribed by the state, we don't have flexibility. Walsh said it gets negotiated with our employee unions but we don't have a lot of flexibility. We've tried to look at whether we might be able to find some way to offer really good benefits that might cost less and we've been basically told no. Perkinson said medical coverage is tough, for a lot of people it's a really big deal. He said for example he is only covering himself, so his health coverage is not as big a deal as it might be for a family with three kids. Knotts asked when the Council will get to hear some of the numbers for those rates. Perkinson said the PERS rate data will show up in his inbox, and it always feels like a surprise, though maybe it's on a cycle.

THE PRO FORMA

Perkinson discussed the budget pro forma. He said using this tool, Josh has developed the ability to pull a bunch of levers that allow us to see how different rate increases would affect the ending fund balance. He displayed the pro forma that was presented at the October 2022 Board Meetings. He said we update the pro forma as revenue and expense projections evolve, but as a snapshot in time you can see revenues at the top, then expenses, then the fund balance. He said the light blue columns are the last fiscal year and the one before, the darker blue represents the budget the Board approved, the green represents year-to-date actuals, and the yellow columns are projections for the next biennium. He noted that this is modeled to assume that vacant positions are filled, so what we've been working aggressively to determine is which of those vacancies can remain unfilled. He said that data will be shared next week. The

“Days of Operations” on the pro forma refers to how long we would be able to operate on reserves using our ending fund balance.

Knotts asked if we are going to see a very different picture next week once the new information is shared. Perkinson said yes, it will be completely transformed. He said next week people will see a one-pager, front and back, that summarizes data and looks at the financial forecast after implementing the realignment changes. It’s a pre-decisional document, but President Bailey will present it so there will be time to think about it before it’s presented it to the Board in March for their decision in April. As President Bailey mentioned in his last video, we’re going to give people time to see the plan, process it, and provide feedback.

Perkinson said the next slide is a teaser for next time, when we’ll dive into enrollment projections.

MINUTES

Taitano/Miller moved to approve the minutes from the January 31st meeting; the motion passed, 5Y/0N/3A.

BOARD MATERIALS

Perkinson shared his screen and displayed slide 104 from the Board of Trustees meeting in April of 2022. He said this is what the Board sees at the end of the Council’s work. It shows the structure of the data and what we provide, including the checklist we follow to make sure we’re in compliance with HB 4141. We share key data points so the Board has context to make their decision. We look at student credit hours (SCH) and tuition rate changes relative to the other Oregon Public Universities (OPUs). Perkinson pointed out that lately we’ve had a couple big spikes. In 2011 we were at the lower end of the pack, but now we’re closer to the middle of the pack. Perkinson displayed the President’s recommendation to the Board, noting that it shows the recommended rate changes by tuition category (undergraduate, graduate, resident, non-resident, etc.). He said we’ll talk a bit about fees, and you can see what was recommended by term and annually. Last year there was an increase in building fees because we added a technology fee and also, the building fee hadn’t changed for a long time. He discussed the Health Center fee, which went up to $150 last year, and how SOU fits relative to others. He showed how the mandatory and incidental fees roll up to the composite calculation that gets sent to the HECC and determines whether we need their approval or not. Last year we were below the 5% threshold.

Perkinson then showed a total cost of attendance chart. He directed attention to the Housing and Dining rate increases, which were not more than 4%, but noted that they were significant in terms of dollars. He pointed out that some of our peers pick their lowest-price plan and use that as a way to advertise their total cost of attendance. We pick a Shasta double room, which is more representative of what most students experience. Walsh said President Bailey has talked about it as a bait and switch when other universities advertise their total cost of attendance based on a lowest-price plan that doesn't reflect the real experience of most students. Woolf said there is some good news coming on cost of attendance. He said starting next year, because of the Financial Aid Simplification Act which was recently passed, there will be a bit of a market reset for equity and fairness about what is being shared. Institutions will be required to publicize an average of their housing costs, not just pick the cheapest plan.

Keller asked if the university has any control on the costs of housing due to the outside control of the buildings. Perkinson said we do have control over Greensprings, but for North Campus Village (Shasta and McLoughlin), the overall construction is part of a $45M bond package that is effectively held by a nonprofit entity. Walsh said that the public-private partnership for North Campus Village has been beneficial, and it's not uncommon to see those more and more. We own the land, they own the building. Perkinson said that's right, and at the end of 40 years we'll own the buildings, which we're paying off.

The meeting ended at 4:45pm.