

Tuition Advisory Council
Friday, February 24th, 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

Chloe Fiveash, Greg Perkinson, Neil Woolf.

The meeting started at 3:35pm.

MINUTES

Keller/Miller moved to approve the minutes from the February 17th meeting; the motion passed, 6Y/0N/0A.

HB 4141 REQUIREMENTS

Perkinson mentioned that, among other things, HB 4141 requires the university to provide the Council with possible strategies for managing costs. He said the university has been doing exactly that for the whole campus over the last several months, with town halls and plenty of discussion of cost management. He said that work is the essence of how deeply an entity can go to manage costs. A second component required by HB 4141 is for a plan for how tuition and fees could be decreased if the university were to receive extra appropriations. Perkinson said for example, when he first started working at SOU, the university had gotten approval from the Higher Education Coordinating Commission (HECC) for an increase of 12%, but there was a condition that we would dial back that increase if the more funds were allocated. In that case, more funds were allocated, which allowed us to reduce the increase by several percentage points. Walsh said the university in effect bought down the increase and the Board of Trustees was extremely supportive of the effort to do so. She said the Council was instrumental in managing that process, and she believes the increase ended up being 8.7%. Perkinson said last year Oregon Tech experienced a similar scenario; their state funding was decreasing and as a result they were going to increase tuition above the 5% level; they ended negotiating an

increase in state revenue through a modification to the funding model and as a result they dialed back their tuition and fee rate increase.

Perkinson returned to the topic of cost management strategies. He reminded the Council that details of the realignment plan can be found on the “Next Steps” page on the President’s website. He said President Bailey shared details at the last town hall about the expected effects of our cost reduction efforts. We talk about “bending the cost curve,” which is a challenge because our discretionary spending is only 7% of our expenses. Labor costs are encumbered by factors like retirement, health care, and so on. With the few levers available to us, it’s hard to make a significant difference. Perkinson said we have cut supplies and services (S&S) considerably in recent years, so there’s little wiggle room to find any additional savings there. We end up looking more toward the labor component, which accounts for about 85% of our budget.

Perkinson said there are outside cost pressures; for example, President Bailey mentioned “unfunded mandates” at the last town hall. Sometimes legislation gets passed and there’s a “go do” associated with it. Often, we don’t get any additional money to do what the legislation requires, so it’s just a new bill to pay. He said Walsh and Woolf could probably provide several concrete examples. Walsh said the faculty members on the Council might know that over the past several years there have been a couple bills passed concerning major transfer maps and common course numbering. At a high level, the goal is basically to make transfers from the 17 Community Colleges to the 7 Public Universities more seamless; this makes good sense and we absolutely support the goal. At SOU our transfer acceptance rate is a very high percentage, in the 90s, meaning we accept almost everything. Still, we want to make transfer better and easier for students. The legislature institutes this process and it means additional faculty work because they want to have faculty involvement on all the committees that are meeting about this, but there’s no financial support to support that additional work. We try to persuade our faculty that it’s important and good work to do, and they step up to do this work in service of students and the institution, but there’s no financial support to get it done. Perkinson said that’s a good example, and asked how many hundreds of hours of work have been done by faculty like that. Walsh said many. Keller said he was a longtime Community College instructor, and the goal was to try to get students through their AA degree and be able to transfer, but there were state institutions changing their requirements, which made things difficult. He said he thinks this work benefits our enrollment, but it’s an enormous number of hours. Walsh agreed and said the university’s message to Community Colleges is “help us help you.” Knotts added a note in the chat saying that the Communication, Media & Cinema program has experienced this issue as well, having to change several course numbers in addition to attending those committee meetings. She said it’s a lot of work.

Perkinson displayed a slide focusing on cost containment strategies pertaining to labor costs. He brought attention to the last bullet on the slide, which explains that it’s difficult or impossible to control escalations in Other Payroll Expenses (OPE). He said we have very little influence on healthcare costs because those are effectively managed by the Public Employees Benefits Board (PEBB). It’s a similar story with retirement costs, which are centrally managed at the State level. He said trying to manage costs for S&S feels more and more like squeezing

blood out of a rock because we've really compressed so much already and also utility prices have gone up. We've made good progress on electrical consumption because we've kept adding solar capacity, for example, but natural gas cost escalation and other macro-economic factors are driving increases.

Perkinson moved on to a slide titled Tuition Reduction Approach. He discussed the relationship between the state's Public University Support Fund (PUSF), which we want to be predictable and solid, and our tuition rates. He said the more we receive through state appropriations, the less pressure we have to increase tuition. He said the HECC develops a budget request and sends it to the Governor, then the Governor develops her budget proposal and submits it to the legislature. He said the HECC request was for \$1,050,000,000, which would support current service level as well as some EDI initiatives. He said the number for the PUSF in the Governor's proposed budget is about \$931M, which is a bit disappointing. This would mean a reduction of about 4% to the current service level. He said he has heard that there may be another \$80M in lottery funds. In the last few years has gotten about \$2-3M in lottery funds, so that could be good. He said he's also heard about an earmark of \$15M for the technical and regional universities, but with no indication of how that would be split, so we don't know how much of that would come to us. If it's just an even spread we'd be thrilled to get a \$3.5M share of that earmark. Without that earmark we don't expect to get above the current service level.

Keller asked about how the process works in Oregon, with the short session and the long session. He asked if the earmark discussed would be for one or two years. Perkinson said we operate on a two-year cycle, so that would be for two years. The legislature is currently in the long session and the long session sets the budget for the next two years. Keller asked about the budget forecast. Perkinson said he'll share the pro forma, which shows the forecasted funding amount broken out over the two years.

Taitano referred to HB 4141 and asked if the Student Fee Allocation Committee (SFAC) is meant to be included when HB 4141 mentions a plan for managing costs and a plan for how tuition and fees could be decreased if the university receives additional appropriations. Perkinson said the way it's worded is that "the university will provide the Council with," so he thinks of it as the administration's responsibility to provide the Tuition Advisory Council with insight into how we could manage costs. Woolf added that when the SFAC finishes its work on tuition and fees, that information comes to this Council as it is considering its recommendation. Perkinson said that's right, it helps inform the Council as it's making its recommendations. Taitano said she just wanted to make sure there's transparency with the student fee process and wanted to make sure the fees are included. Perkinson agreed about the importance of transparency and said that the composite rate that gets sent to the HECC includes certain fees.

Fiveash asked where HB 4141 can be found. Perkinson said that it was passed several years ago. Woolf provided the link to the bill in the chat.

Perkinson moved on to discuss assumptions in the current pro forma. He said the pro forma includes lines for SOU's portion of the state allocation, for tuition revenue, and for fee revenue.

He noted that tuition is variable, with Student Credit Hours (SCH) and the tuition rate for the students earning those hours determining the revenue. He said we track the historical patterns with current enrollment and compare that with what projections from the Registrar's office and Institutional Research. The resulting projection is plugged into the forecast model. He said a historical average is used for miscellaneous revenue. He said that this has been pretty consistent over the last 10 years ago, but there can be spikes. For example, a legal decision in our favor a few years ago resulted in a spike of about \$400K that year. He said the sports lottery is a direct benefit that is very prescriptive in how it can be used. Basically, that means that if athletics were to need support from the Education and General (E&G) fund, it would need less support because they'd be getting some money that comes in to them on the expense side.

Discussing expenses, Perkinson said OPE is tough; retirement rate increases come in spurts and it seems to be on a 2-year cycle. He said the people who manage PEBB and PERS look at rate escalation based on their future liability and then communicate those rates.

PRO FORMA

Perkinson showed a snapshot of the pro forma. He explained that revenue is listed in the top section, then expenses, then at the bottom, everything is netted out. He said it is often the case that notes will be added in the margin to identify any updates, changes, etc. In the case of the snapshot he showed, one note mentioned that state revenue is modeled at -2%. Perkinson reminded the Council that earlier in the meeting he mentioned that it may be -4% if the numbers adopted are the same as the Governor's proposed budget. Another marginal note indicated that we're expecting another year of slight decrease in SCH, then it will level out. Perkinson recalled last week's meeting when Stillman talked about the admissions funnel and how we look at data to figure out what fall enrollment might look like.

Woolf said he, Stillman, and Joe Jackson of Institutional Research met earlier in the week to discuss projections. He said basically we look at last year's performance, and we know that fall term tends to be about 25-27% of the previous spring. Looking at our data for this winter we can make a prediction about how many will likely be here in the spring. He said some modeling is currently suggesting headcount might be up around 2% and transfer may come in flat. He said it will be interesting to see how many students who don't graduate come back in the fall. He said that's talking about headcount, but how many credits students take is very important. Taking more credits helps students graduate more quickly and helps us on the state funding side. He said the initial math looks fairly promising for fall, not nearly enough to mean that we would change our minds about the cost management efforts we're making, but fairly promising.

Perkinson discussed the miscellaneous revenue line in the pro forma snapshot for the 2025-27 Biennium. He said the ~\$2M listed there represents a conservative projection based on a 10- to 15-year lookback. He said the forecast for 2023-24 and 2024-25 is stronger because we refinanced a bond about 2 years ago to free up some cash, so the pro forma reflects those benefits. He said the gray column represents last fiscal year's actual data, then the blue column

represents the budget the Board approved. He said last June the Board said we have to balance the budget; what we did to balance E&G is put in a \$3.6M target (or “wedge”) for cost savings. Our revenues are a little soft, but our cost savings have been strong; between Woolf’s and Walsh’s areas, we’ve saved about \$2.7M, principally through vacancies. That savings goes against the \$3.6M target. There was also an additional \$300K in miscellaneous revenue that came in stronger than predicted. The green column is the actuals that we’ve experienced to this day and our forecast to finish out the current year. So, you can compare what the Board approved with how we’re doing. For example, you can see that we expected fee revenue of \$4,015K and we’re softer, at \$3,719K. Perkinson said we pull the green column from our system of record and it gives us a sense of how we’re doing against the plan the Board approved.

Perkinson said the yellow columns represent future years. He pointed out that these columns are set up in biennia. Noting that we’re in the long session now, he said what we expect based on history is the ~\$27M listed under 2023-24 Forecast, then ~\$28M in the second year, under 2024-25 Forecast.

Keller referred to the mandate from the Board of Trustees to balance the budget that Perkinson mentioned earlier. He said looking at the cost reduction line in pink, it appears that there is a significant difference and it sounded like we’ve found significant cost-cutting over this year. He asked if this snapshot takes into account the plan the President is trying to put into place this current year. Perkinson said when the Board approved the plan, which included \$3.6M in cost savings, we went into this year knowing that we have a lot of vacant positions that we’ve been holding vacant for some time. For example, Perkinson said in his area he’s been carrying about a 20% vacancy rate, so he knows he’s going to be able to deliver some labor savings. Since 2019, the labor savings have principally (with some exceptions) been one-time savings. He said when he reorganized Campus Public Safety he removed the Assistant Director position from the budget, so that was one example of recurring savings. He said we’ve been reluctant to move permanently because we want to maintain service level. He said Walsh’s system in Academic Affairs is very complex, with a different hiring cycle and many other considerations. Walsh said it’s a very complex system of checks and balances with a combination of permanent faculty and year-long replacements for sabbaticals or if enrollment blips up or down, and we have to manage class sizes so we can offer an appropriate number of sections but not run classes with only 3 students. She said Perkinson is right that the hiring cycle for faculty is about a year ahead of other areas, so a search goes out about a year ahead of when the faculty member would start. Perkinson said what’s happened effectively since 2019 is that we’ve been aggressive about not backfilling positions where we can because we’ve been in a budget crunch. President Bailey has said that clearly, we’ve got a budget deficit and we need to go after that rather than continuing to kick the can down the road. Perkinson directed attention to the bottom rows on the pro forma snapshot. He said looking at our Fund Balance, the key performance indicator (KPI) is fund balance as a percentage of operating revenue. We want that number to be 10%, or really 40% according to one consultant group. Without adjusting, that number is in the toilet looking out a couple years.

Perkinson then displayed an updated version of the snapshot that includes the recurring labor savings under the proposed realignment plan. He said in the previous snapshot we've assumed we're going to fill the vacant positions, so with the decision that we're going to attack the deficit by not filling 83 positions, we can see the labor and OPE savings in this version of the snapshot. He noted that the year represented in the first column was a pandemic year, so it was an anomaly, with staff and faculty furloughs that saved about \$7.4M over about 18 months. He said the data is good but it shouldn't be used longitudinally because of the unusual circumstances. Woolf said with the \$3.6M in non-recurring savings this year, without doing anything else, we get to \$13M in the hole at the end of 2025. The realignment plan adds to that \$3.6M with another \$10M that helps get us to a place where we'll be structurally more healthy. Perkinson said looking at the effects of cost management on the out years, we have direct salary savings and OPE savings. He said you can see the budget for faculty approved by the Board was \$15.9M. Currently, we're below that, which is great, and you can see the reset as we lay in the projected retirements, etc. This is the case for classified and administrative employees as well. Without correction, the costs of PERS & ORP would rise to \$10M looking 4 years out, but with the correction, there's still some escalation but it's much less significant because we've pulled 83 positions out of that pool.

CAMPUS MORALE AND WORKLOAD

Knotts said with the cuts being made things look fiscally much better on paper, but she wonders about the emotional well-being of the campus. She said with burnout and workload issues, among other things, how do we address that. Walsh said we must address that question writ large. She said the workload issue is real and we're in the process of putting together a faculty workgroup, which actually started before the pandemic but got derailed. She said she discussed this at the most recent Faculty Senate meeting and she's already heard from some faculty interested in helping. This will involve faculty, Chairs, and Directors, and people will be compensated as they work to find a viable approach toward workload issues. She said a lot of work in the last few years has been focused on the new General Education model, but with that work wrapping up, some focus can now shift to this, which is every bit as important. She said we have to do more, especially when it comes to people's perceptions that they're going to have to do more with less. She said she's been collecting some studies and reports that can provide some guidance as we think about these issues. She said there are other universities going through the exact same exercise and mentioned that she just saw something in the Washington Post today about a major university that plans to cut their History and English programs. It's not just an SOU problem, we need to look at workload, and that's not just teaching and advising, but also service, etc. Walsh said President Bailey asked three questions in his September statement to campus: "what can we stop doing, what can we do differently, and what do we need to keep doing." She said we have a commitment from President Bailey to create a position in faculty scholarship and development, which will be like the third leg of a three-legged stool we have in the Center for the Advancement of Teaching and Learning (CATL) and will focus on faculty scholarship and grant writing. She said she thinks this will go a long way in helping faculty morale for them to be supported in their scholarship endeavors. Knotts said that's encouraging to hear, as someone who does a lot of scholarship. She said she asked

her question because anytime we talk budget and numbers it's important to think about the people behind it.

Woolf said there are also some emotions we're managing on the staff side. He said some people feel that this cost management work is overdue; there have been people with a cloud over their heads knowing that we're spending more than we're bringing in, so there's some positive feeling that we're taking the steps necessary to get the institution onto a more sustainable footing, and not doing that on the backs of students. He said the impacts of the impacted positions that are in the realignment plan are not just on the people in those positions, but also those who will remain and have to figure out how to continue to manage the workload. He said he appreciates that the shared governance groups are committed to continuing conversations about workload and morale, and they're working together toward a more comprehensive approach to managing things in the wake of the realignment plan.

Taitano said Knotts made a good point about considering the impacts of cost management on human beings. She said she wonders how we will support students, because they will be impacted as well. Walsh said on the faculty side (acknowledging that staff are as important to the student experience as faculty, but her area is primarily faculty), the number of impacted faculty positions in the proposed plan is 5.6 FTE. She said she knows those positions will impact students, and we'll do everything in our power to mitigate those impacts as much as possible. She said we try really hard to reach out to students in programs where faculty are impacted; our Chairs especially, and the Student Success Coordinators, who are very plugged-in with the students. She encouraged Taitano to share any ideas or feedback and noted that she works together with Woolf and Dean of Students Carrie Vath, as well as others who hear directly about the student experience. Taitano said, for context about where her concern is coming from, ASSOU President Alicia Garrity has received some threats and comments that we're not supporting students. She said it would help to have some verbiage. Walsh said that is a great idea and she will be happy to work with Taitano on this. She said she is aware of what has happened with Alicia, and that came primarily from one individual. It is incredibly unfortunate and poor judgement on the part of that individual.

Perkinson said for him it's a two-phased approach. First, recognizing the importance of SOU being an employer of choice, we're monitoring how people are doing with a significant change like this. He said with 13 vacancies being unfilled, the risk is that people in a work center might lose hope if they were hoping a position would be filled. The second phase is once we implement Workday and we take 12 months to implement new processes and understand the new technology and what it enables us to do, then we'll reorganize based on those efficiencies. He said he expects to get 10 FTE in savings through that reorganization. He said for some people it's stressful because of the uncertainty, but for others it's comforting because they know their jobs are okay for now. He said from a leadership perspective he's concerned, like everyone else, that we're taking care of our folks.

Walsh said she appreciates that the Council was able to take the extra time to discuss the effects of these issues on people. She said the members of the Council are leaders in their own areas and she really appreciates that we can explore how it feels to be a leader at this time.

Perkinson said normally, the Council would start doing quite a bit of pro forma modeling around this time. He said he would like to simplify the modeling approach. We have strategic direction from President Bailey to keep tuition low, we have uncertainty regarding state funding, and we've got some enrollment projections. He said he thinks with all this we can have some good discussions about affordability. He said he thinks it's unfair to ask this Council to tackle or solve cost management and take the weight of the institution's financial health on their shoulders; that's his job and Walsh's job and Woolf's job. Instead, he would like to see a robust conversation around affordability. Walsh said she thinks we can start playing around with modeling some possible rates, and she would recommend starting under 5%. Perkinson said the historical forecasting model includes a 4.9% raise in the tuition and fee composite rate, then we can look at 3% and 2%. He said historically at this point we've looked at what it would take to fix the revenue picture, see what a 15% increase would accomplish, but we're just not going there.

The meeting ended at 4:54pm.