

Tuition Advisory Council
Friday, March 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

Steve Larvick, Greg Perkinson, Neil Woolf.

The meeting started at 3:33pm.

EDUCATION AND GENERAL FUND BUDGET WITH FORECAST TO COMPLETE

Perkinson said he wanted to start by giving the Council a sense of how the current fiscal year looks like it will close. He displayed a version of the pro forma and reminded the Council that revenues are at the top, then expenses & transfers, then fund balance at the bottom. He said this is the data that will be shared with the Board at their meetings next week, and our expectation is that we'll close this fiscal year slightly better than planned; that is, in slightly better shape than the approved budget. He noted that an ending fund balance that is 8% of operating revenue is not ultimately where we want to be—really, we would want to be closer to 40%.

PRO FORMA REVENUE, COST, AND ENROLLMENT ASSUMPTIONS

Perkinson discussed the revenue assumptions used in what he will present to the Board next week. He said the assumptions being used are conservative, including the most conservative estimate for the state revenue allocation. Regarding the tuition rate increase being modeled in the pro forma, we normally model 4.99% as a standard, but an increase of only 3% is being modeled for next year. Perkinson reminded the Council that President Bailey has publicly stated more than once that he would really like SOU's tuition increase to be the lowest, or among the lowest, of the 7 Oregon Public Universities. He said the other universities are likely to hold their tuition rate numbers close to the vest until they are announced, and some will release their numbers sooner than others. Based on what he's heard, Perkinson said he doesn't know of any of the OPUs planning to go above 5%; most will probably be in the 3% or 4%. Walsh said she

has not heard anything yet about other universities' tuition plans in her meetings with the Statewide Provosts Council. Perkinson said the difference in revenue between a tuition increase of 3% and an increase of 4.99% is about \$600K.

Continuing to discuss revenue assumptions in the model, Perkinson said Miscellaneous Revenue is modeled up to \$3.3M, and Federal support of \$2.9M is laid in. He said the model does not include the \$3.3M ask in congressional-directed spending for our Student Information Systems or any portion of the \$15M earmark for the Technical and Regional Universities (TRUs) that has been mentioned in previous meetings. Knotts asked about which universities are the TRUs. Perkinson said the TRUs are SOU, Eastern Oregon University, Oregon Tech, and Western Oregon University. The other 3 public universities in Oregon are the University of Oregon, Oregon State, and Portland State.

Keller said the revenue that we aren't sure about yet, for example the \$15M earmark, represents a lot of money and could help SOU a tremendous amount. Perkinson agreed and added that the Governor has given some boundaries about how that earmark could be used. It is not intended to pay for operational expenses or to fill a hole, but to create programs or opportunities that would enable us and the other TRUs to be more financially stable over the long term. Keller asked to be reminded about the possibility of congressionally-directed spending. Perkinson said Jeanne Stallman in Government Relations and Chief Information Officer Tom Battaglia met with the offices of Senators Merkley and Wyden and there's a possibility of an earmark for SOU to help pay for student portion of Workday, the Student Information System we're transitioning to. Perkinson said this would be a 50/50 match which we could use to backfill some of the expense of the loan we took out to fund the transition. Keller asked if the \$3.3M in miscellaneous revenue and the \$2.9M transfer Perkinson mentioned are definite. Perkinson said yes.

Perkinson discussed the cost assumptions in the forecast. He said the 80 positions identified in the SOU Forward plan don't all go away at once, they have different timelines. Positions that are currently vacant and that won't be filled are reflected immediately, but other positions identified include some that will be retirements and others that will be going away on a variety of different timelines, within basically a 3-year window. For example, Perkinson said some of the positions in his area would go away after Workday is implemented. He said those different timelines are baked into this version of the pro forma.

[Walsh joined the meeting]

Perkinson said supplies and services (S&S) costs have been challenging and they're what he calls a "watch item." The S&S budget has been cut to the bone and where we know we have impacts we lay them in. He said one example is the anticipated additional IT costs related to the decision to delay Workday implementation. He said those additional costs are laid into Fiscal Year 2026 (FY 26).

Perkinson reminded the Council that enrollment projections were discussed at the last meeting and said that all of the assumptions discussed lead to a forecasted increase in ending fund balance (EFB) of about \$2M, which brings our ending fund balance as a percentage of operating revenue, one of our Key Performance Indicators (KPIs), to 11.2%. He pointed out that the forecast for later years continues to maintain a fairly positive trajectory.

Perkinson directed the Council's attention to the forecast for 2023-24. He said the approximately \$64M in revenue listed there matches the approved budget from last year, but what we've effectively done is significantly reduce the recurring cost base. Referring to the total expenses and transfers, he pointed out that the number for the 2023-24 forecast is about \$4.5M less than the expenses and transfers in the approved FY 23 budget, and it holds relatively steady even with projected increases like cost of living adjustments (COLAs), projected salary increases based on bargaining, and so on.

TUITION SCENARIOS

Perkinson again mentioned the \$600K difference between a tuition increase of 4.99% and 3% and asked how he can assist the Council in their discussions of tuition rates and affordability. Stillman asked for a reminder of the general directive the Board of Trustees has given regarding ending fund balance as a percentage of operating revenue (EFB). Perkinson said the legacy Oregon University System (OUS) guidance was for EFB to be 10%, with 5% being threshold that would trigger retrenchment. He said in his time at SOU, our Board, which was created after the dissolution of the OUS, has reluctantly allowed that to go from 10% to 8%. He said there was a lot of robust discussion pre-pandemic about wanting to create reserve accounts, meaning that the EFB would be well above 10%, but we never had the revenue growth potential to get much above 10%. Larvick directed the Council's attention to the "Days of Operations" line at the bottom of the pro forma and pointed out that even with an EFB around 12% we would have only about a month and a half of operating revenue.

Stillman asked about the projected enrollment factored into this version of the pro forma. Larvick said he started with enrollment projections from Stillman and others, but backed off some of the numbers that don't generate revenue and effectively came to an enrollment projection of about 1.16% down. He noted that it gets very complicated, with some categories of students paying more than others, but it's hard to predict how that mix will end up. Stillman said he has no problem with that projection and he thinks most of the growth is going to be in non-revenue generating categories, so modeling down by 1.16% makes sense to him. Keller said he's looked at enrollment numbers within his program and they're seeing a larger number of students than they've had in the 2.5 years he's been at SOU. He said he's heard other faculty talk about how enrollment in the program is getting close to pre-pandemic levels. He asked for more detail about how enrollment is projected to end up negative. Stillman said we think we'll continue to grow in new students, which makes him feel optimistic. He said the latest admissions funnel looks really robust on the new student side of things.

[President Bailey briefly joined the meeting, stepping in behind Neil Woolf]

President Bailey said he was just stopping by for a moment to say he's very grateful for the work being done by the Council and for the thoughtful, sophisticated, and heart-centered approach the Council is taking as they go about their work.

[President Bailey left the meeting]

Stillman said that what Keller is seeing with regard to enrollment is real, but the reason why it's not impacting us as much writ large because of continuing students. He said we're still working through the deficit of not having as many students during the pandemic. Stillman said Woolf uses the metaphor of a python and the smaller lumps from past years are still working through the system. We are rebuilding our pipeline, but that's why we think we're probably going to be down overall. Larvick added that non-degree seeking student numbers include students who have tuition waived or students earning Advanced Southern Credit, who pay a dramatically lower rate. Stillman said we're likely going to see a big increase in fall headcount, but headcount does not translate directly to revenue, that comes from Student Credit Hours (SCH) times the tuition rates those students pay.

Perkinson asked if the Council would want to take a straw poll. Walsh asked how the Council would feel about taking a poll that wouldn't be binding in any way, just to get a sense of how people are feeling with regard to possible rates. Perkinson said we could start with a 3% increase and go from there.

Walsh asked the Council if they would be comfortable answering whether, if they were voting today, they would be in favor of supporting an increase of 3%. Reiners asked if that would mean increasing all rates by 3%, or just one. Walsh said the Council could start by just discussing resident undergraduate tuition. Keller said he isn't sure if he feels ready to do that. He said the possible additional revenues mentioned by Perkinson earlier are really important. Knotts added a note in the chat indicating that she still has some questions and she's also not sure if she's ready for a straw poll. Knotts said she found it helpful last year when the Council went through the fees and then played with different tuition numbers. She said she would feel more comfortable doing that before taking a poll. Walsh asked if Knotts was thinking she might feel comfortable going higher than 3%. Knotts said no, she was not thinking about going higher than 3%. She said we've never had a year where we haven't raised tuition at all. She said it sounds like fees will be increasing, including the Student Health and Wellness Center fee and others, and asked what it would look like if there was no tuition increase at all. Knotts said she also wonders about why online tuition is so much higher than in-person tuition. We've been through the pandemic and we've been encouraged to do more online offerings; also, the infrastructure is there to do more online, so she said she was interested in the difference in tuition. Walsh said sometimes remote, online, and hybrid are used interchangeably, but there are significant distinctions to be made. Stillman said the only thing we assess online tuition for is courses that are actually online, not remote or hybrid. He explained that we do not assess other fees for online students, like the building fee, the technology fee, and so on, so these students are paying a per-credit online delivery fee. They could pay more or less than other students, but where students definitely pay more is if they're taking a combination of online

and remote or in-person courses. For example, a student taking 16 credits total, with 12 in-person and 4 online, would be paying full in-person fees plus the online fees. Knotts said that some programs are now limited in how many times they can offer a course because of staffing, so sometimes students have to take combination terms. She said the tuition and fees in those cases feel very high. Stillman agreed and said he and Josh Lovern have done some work on a wild concept where everything might be combined into a flat rate regardless of modality. He said it would be exceedingly difficult to make that a reality.

Perkinson displayed last year's version of the President's tuition rate recommendation to the Board. He pointed out that some of the slight differences in percentage are related to the fact that we wanted rates to come out to full dollars. Woolf said this is where it shows up really clearly how important SCH is, because each student pays a different rate depending on which kind of student they are.

Knotts asked if it would be possible to model the impacts of a 3% increase. Larvick displayed a sheet in the pro forma that would allow for modeling the effects of different tuition rates. Knotts asked what it would look like if we increase fees to the rates that have been discussed but do not increase tuition. Larvick noted that the mandatory fees don't pass through the education and general fund (E&G), so they have no affect on the bottom line. He modeled a 0% tuition change and noted that the difference between that and a 3% increase is \$890K in 2023-24, and that even with 4.99% increases modeled for future years, we still see increasing revenue losses over time, which diminish the EFB.

Woolf pointed out that as revenue goes up, there's a proportional rise in the amount of tuition remissions available for qualifying students.

Walsh suggested postponing talk of a straw poll off for the time being and asked if Council members would be comfortable waiting until we get more information to have that conversation. Keller said he would prefer to wait and asked when we will know about some of the possible additional funding that has been discussed. Perkinson said we don't really have a timeline on the possible \$3.3M in Congressionally-directed spending related to our Student Information System, and the possible earmark in state funding won't be clear until June. He said we're going to set the budget in May with uncertainty about our state allocation until June. Keller asked what additional information is coming in the weeks leading up to the next meeting, when the Council hopes to make its recommendation. Perkinson said the only thing that would be new is any feedback from the Finance and Administration Committee meeting next week. He said the Board meetings in April will be focused on the SOU Forward plan and recommended fees and tuition rates.

Woolf said he wanted to assure the Council that this is a fairly normal level of uncertainty in the budget-setting world of higher education. In fact, he said, he has seen it much more volatile in other places he's worked. He said when he was working in another state, the Governor proposed a budget with a 40% cut to funding. It was for political purposes and didn't end up manifesting, but that's just one example. Walsh agreed that the current level of uncertainty is

certainly normal for us. She said the Council never has a definite answer until after it makes its recommendation.

Perkinson suggested that the Council could look at the effects of other tuition rates. Larvick modeled an increase of 2%. In FY 24 the model suggested a decrease from the 3% rate of about \$300K. Larvick modeled a 4% tuition increase and that showed an increase from the 3% rate of about \$300K.

Walsh mentioned that the Council is on a limited schedule and said she would be happy to hear from the Council members about how they would like to proceed. She asked if they are comfortable waiting until the next meeting, scheduled for April 5th. The Council would need to make its recommendation and have time to put together the documents to share with the President. The Council discussed lengthening the meeting on April 5th.

Knotts added a note in the chat to say that she doesn't feel comfortable recommending a tuition increase of more than 3% this year based on the President's statements at the town hall meetings and elsewhere. Keller said he would not be comfortable with a straw poll at this time.

Walsh said it sounds like Council members would like to consider each of the tuition categories separately. Keller agreed but noted that it might be complicated and time-consuming. Knotts said we did that last year. Stillman said it actually goes more quickly than one might think, especially if the Council comes to a baseline concept of where they'd like for the rates to be. Woolf said that if the Council does decide to look at tuition rates line by line, the resident undergraduate rate is usually the benchmark. Perkinson said he and Larvick could do some advance work before the next meeting to provide the Council with some modeling based on different rates.

Reiners said that within the past week she's had to help 20 students who are dropping out due to costs. Walsh asked Reiners if she knows whether it was because of tuition or housing costs or something else. Reiners said many of them mentioned tuition, and they were from different tuition categories (resident, WUE, non-resident). Walsh asked if Reiners felt that a 3% increase would make a significant difference to those students. Reiners said she thinks a 3% increase would matter to a lot of students. She said some of these students mentioned wanting to transfer to other schools because tuition is cheaper. Keller asked about what other institutions these students were planning to attend. Reiners said some talked about going to a school that's closer to home and some mentioned that they're looking at community colleges. Walsh said there could be a lot of different reasons why students might make that decision. She said it might be possible to provide Reiners with some talking points so she can revisit the conversation with those students and at least speak on behalf of the Council and what we're trying to do.

The meeting ended at 4:56pm.