

University Budget Committee Annual Report, 2020-21

Summary

The University Budget Committee (UBC) had four parts to its charge this year¹. The principle activities and outcomes of the work on those charges are summarized here.

- *Develop tuition recommendations.* The committee spent most of the meetings through February reviewing and developing the recommendations for tuition and mandatory fees that went to the President. Those recommendations informed the final tuition rates approved by the Board at their March meeting. The recommendations are posted at: https://fa.oregonstate.edu/sites/fa.oregonstate.edu/files/fy21_UBC_tuition_and_fee_recommendations_final.pdf
- *Consider the tuition pricing policies of the university as a whole, assessing their soundness and alignment across residency categories, programs and modalities of delivery.* The committee spent most of their time in late winter and spring quarters thinking about the structure of tuition across modalities and residencies. The principle recommendations or observations from those discussions include:
 - Convene a group (probably led by Enrollment Management) to define OSU's current enrollment goals across modalities, student types, and residencies and then ask if current tuition pricing in each of those areas is optimal for achieving those goals. The appropriate list price and structure for tuition depends greatly on the number and type of student desired in a particular program. It has been some time since the university has had a strategic conversation about those enrollment goals.
 - Reestablish a distance education fee (split from the current Ecampus charge) and define a non-resident supplementary tuition rate such that tuition charges for undergraduates (and potentially graduate students) were defined by components similar to this:

Average per credit hour charge-Ecampus infrastructure fee, non-resident campus fee				
	Instruction fee	Distance education infrastructure	Non-resident supplemental tuition	Total tuition
Ecampus	233.00	88.00	-	321.00
Resident undergraduate Corvallis	233.00	-	-	233.00
Resident undergraduate Cascades	233.00	-	-	233.00
Non-resident undergraduate	233.00	-	458.00	691.00

The goal of this change would be to more effectively communicate and explain why tuition rates differ for different modalities and residencies.

- Consider the financial and enrollment impacts of charging non-resident students learning on the Corvallis campus the non-resident supplemental tuition regardless of course modality (face-to-face or Ecampus). There are some complexities in this that the UBC has not reached definitive recommendations on:

¹ The minutes and materials for the UBC meetings are available at <https://fa.oregonstate.edu/budget/university-budget-committee/ubc-meeting-schedule>.

- If tuition is charged by campus status, non-residents in Corvallis would pay the instruction fee and supplemental tuition regardless of course modality. Presumably resident students in Corvallis would likewise then pay only the instruction fee (not the distance education fee). Depending on the impact on non-resident enrollment, this would be neutral to net revenue positive by about \$3M. It was assumed that summer tuition would still be charged by course modality.
 - If residents students in Corvallis pay the same for face-to-face and Ecampus courses (on the argument that the state contribution is underwriting the infrastructure costs of the campus and Ecampus) it raises the question of whether Oregon residents who are purely Ecampus students should pay the same rate as a resident student in Corvallis (since those Ecampus students are counted in the state formula for funding allocation). If the distance fee were discounted for those truly distance resident students the cost is about \$2.5M.
 - The UBC discussed the idea of a tuition plateau again, considering the arguments for (encouraging course exploration, adding one-credit experiential learning or physical activity courses, encouraging completion) and against (the plateau subsidizes students most able to take higher loads who may be those who have fewer outside obligations). A majority of the committee thought considering a plateau structure that started at 15 credits and was fixed price after that had merit. The committee recommends reviewing the outcomes of the change to per credit hour pricing and seeing if those outcomes align with the university's goals for retention rates, graduation rates, enrollment, and financial stability.
 - In setting tuition, the UBC recognized that Ecampus competes nationally for enrollment. This means rates have to be set relative to national competitors, considering both price point as well as program quality and reputation.
- *Engage with the Budget Office, colleges, and academic units in a review of unit budget practices, with particular attention to potential revisions to the Corvallis campus Shared Responsibility Budget Model.* The budget model review process was somewhat delayed and started with only a couple meetings of the UBC remaining. There are members of the UBC engaged with various workgroups for the budget model review (Staci Simonich, Kelly Sparks, and Sherm Bloomer). It is expected that the committee will connect with the workgroup review materials developed over spring and summer when the committee reconvenes in fall quarter.
 - *Recommend revisions, if any, to the Graduate School's policies on centrally funded support for graduate student assistantships and fellowships, in collaboration with the Graduate School.* The Graduate School had already charged a workgroup to review funding models for the centrally supported graduate tuition remissions and waivers so the UBC did not stand up an additional workgroup. The Graduate School workgroup did talk with Sherm Bloomer about some of the current budget practices related to centrally-funded waivers and remissions. The recommendations from the Graduate School principally focused on proposals for expanding funding for graduate assistant positions supported by Foundation gifts or training grants, with various splits between colleges, existing central budget, and additional central budget. The Provost may still want to charge a group to consider if the current structure and use of central funding of waivers and remissions is aligned with institutional goals for graduate enrollment.

Charge

The University Budget Committee (UBC) is advisory in nature, providing valuable input and recommendations on a range of budgeting practices, policies and reporting. This year the UBC led, as is a standing part of the charge, the development of tuition recommendations ultimately provided to the OSU Board of Trustees. The UBC is charged to contribute an independent point of view to central university budgeting and monitors the timeliness, regularity, visibility, and accuracy of central budgeting reports.

In addition to the standing charge of the UBC, the committee was asked to undertake three specific tasks this year:

- In recommending tuition rates for 2021-22, the UBC will consider the tuition pricing policies of the university as a whole, assessing their soundness and alignment across residency categories, programs and modalities of delivery;
- The UBC will engage with the Budget Office, colleges, and academic units in a review of unit budget practices, with particular attention to potential revisions to the Corvallis campus Shared Responsibility Budget Model;
- The UBC will recommend revisions, if any, to the Graduate School's policies on centrally funded support for graduate student assistantships and fellowships, in collaboration with the Graduate School.

Development of tuition recommendations

One of the UBC's annual tasks is to lead the development of recommendations for tuition and mandatory fee² rates to the President in inform the recommendations to the OSU Board of Trustees. The committee spent most of the meetings through February reviewing and developing the recommendations for tuition and mandatory fees that went to the President. Those recommendations informed the final tuition rates approved by the Board at their March meeting. The recommendations are posted at:

https://fa.oregonstate.edu/sites/fa.oregonstate.edu/files/fy21_ubc_tuition_and_fee_recommendations_final.pdf

The committee developed a set of recommendations for undergraduate tuition considering three scenarios for state funding and three tuition scenarios, centered around expected rates of cost inflation. These recommendations informed the final recommendations to the Board for a cohort pricing model with increases of about 2.5% for continuing students and 4% for new students.

The committee also spent substantial time reviewing rates for existing differential tuition, graduate tuition, and professional program tuition. Those rate recommendations were included in the rates approved by the Board in March and are detailed in the report linked above.

² These include the student building debt service fee, the matriculation fee, and the fees for Student Health Services and Counseling and Psychological Services.

Tuition policies

The committee spent most of their time in late winter and spring quarters thinking about the structure of tuition across modalities and residencies. These discussions fell into some broad categories and yielded five principle recommendations or observations.

1. Enrollment goals

In discussing the structure of tuition, the UBC recognized that assessing the appropriate rate for a particular program depends on the goals of that particular program and how or with whom OSU is competing for students in Oregon, nationally and internationally. It has been some time since the university has had a strategic conversation about those enrollment goals.

The committee suggests it is a good time to convene a group (probably led by Enrollment Management) to define OSU's current enrollment goals across modalities, student types, and residencies and then ask if current tuition pricing in each of those areas is optimal for achieving those goals. The appropriate list price and structure for tuition depends greatly on the number and type of student desired in a particular program.

2. Undergraduate tuition structure

Currently, undergraduate tuition rates are per credit hour amounts that are different for residents, non-residents or Ecampus students. There are historical reasons for that, but those reasons are not necessarily obvious in how the rates are presented or communicated.

Non-resident tuition is higher than resident tuition to recognize the contribution the state of Oregon makes (and has made) to support resident students. The state makes an annual allocation to support the costs of operating the Corvallis campus and maintaining the buildings, pays debt service for the construction or renovation of many buildings in Corvallis, and has made very large expenditures over the years to build the Corvallis campus. The larger non-resident tuition recognizes that contribution and shares a portion of current costs of operation through that charge. The ratio of about 3:1 for non-resident to resident tuition is common for public universities similar to OSU.

Ecampus charges are higher per credit hour than those for resident students because they include the costs of building and maintaining the infrastructure that enables the delivery of a high-quality, nationally-ranked distance education program. That charge also supports some of the overhead costs that go with the staffing, scheduling, and support offices that support Ecampus. The charge was originally set when the program started and it was expected that that infrastructure would not be an important part of delivering education to Corvallis students. A few years ago the "distance fee" was rolled into the tuition charge so students saw a single charge in published materials. This has made the cost simpler to see for prospective students but has somewhat obscured the reasons for the price differences.

The committee spent substantial time discussing the reasons for these differences and looked at how various public universities charge and communicate tuition. The committee recommends that OSU consider:

- Defining an instruction fee or base tuition regardless of modality or residency;

- Reestablishing a distance education fee (split from the current Ecampus charge); and
- Defining a non-resident supplementary tuition rate to recognize the state's contributions to operating costs and campus infrastructure.

Table 1: Example of a component approach to undergraduate tuition rates, identifying separate components to align with the different prices.

Average per credit hour charge-Ecampus infrastructure fee, non-resident campus fee						
	Instruction fee	Distance education infrastructure	Non-resident supplemental tuition	Total tuition	Mandatory Fees	Total
Ecampus	233.00	88.00	-	321.00	-	321.00
Resident undergraduate Corvallis	233.00	-	-	233.00	47.18	280.18
Resident undergraduate Cascades	233.00	-	-	233.00	28.60	261.60
Non-resident undergraduate	233.00	-	458.00	691.00	47.18	738.18

This approach would yield the same rates per credit hour as at present, but would more clearly show why rates were different. The goal of this change would be to more effectively communicate and explain why tuition rates differ for different modalities and residencies. A change to this approach might provide an opportunity to eliminate the current “zero-credit” charge on campus undergraduate tuition as well.

Note that adding mandatory fees (both incidental fees set by student government and those fees set by UBC) add an additional cost for campus students (Table 1).

3. Charging by modality or campus

One of the unexpected outcomes of starting Ecampus has been the considerable use of Ecampus courses by undergraduate students (both resident and non-resident) in Corvallis. This use has grown consistently over the years and is over 10% of the credit hours taken (Table 2).

Table 2: Percentage of credit hours for Corvallis students taken on Ecampus by year through FY17 (we just haven't updated the last couple of years).

	FY12	FY13	FY14	FY15	FY16	FY17
UG Ecampus Corvallis of Undergrad SCH	5.1%	6.0%	6.8%	7.9%	9.3%	10.7%
Grad Ecampus Corvallis of Grad SCH	0.8%	1.0%	0.9%	1.1%	1.0%	1.3%

As this percentage has grown, the financial impacts have increased. Resident students taking an Ecampus courses pay more (excluding mandatory and incidental fee charges) in tuition than for a face-to-face class while non-resident students pay significantly less. An alternative would be to charge by campus location as the primary determinant. A decision to charge academic year tuition by the student's primary campus instead of by modality would reduce per credit hour charges for resident students and increase charges per credit hour for non-resident students.

Based on FY20 credit hour distributions for Corvallis and Cascades (used on the assumption the distribution might be more “normal”) such a change would net about \$3.0M in additional tuition (if summer is not included), a combination of a net increase of \$12.5M in undergraduate non-resident tuition, a loss of \$8.0M in undergraduate resident tuition, a loss of \$0.1M of resident graduate tuition,

and a loss of \$1.4M of non-resident graduate tuition (Table 3). So, a change to charges based on campus code would net a modest increase in tuition but would have large changes in costs to different student groups. The analysis in Table 3 did not assume any enrollment loss due to the change; there likely would be some loss.

Table 3: Financial assessment based on the credit hour data for FY20

Academic Year FY20					
		Gross res. change	Gross NR change	Discounted positive Non- res 15%	Net
Undergrad	Cascades	(481,700)	189,600	161,200	(320,500)
	Corvallis	(7,539,800)	14,508,200	12,332,000	4,792,200
Graduate	Cascades	(1,700)	(7,300)		(9,000)
	Corvallis	(115,300)	(1,354,600)		(1,469,900)
Summer FY20 (if it is included)					
Undergrad	Cascades	(116,000)	(14,000)		(130,000)
	Corvallis	(2,024,000)	(1,276,400)		(3,300,400)
Graduate	Cascades	(1,000)	(600)		(1,600)
	Corvallis	(21,400)	(16,300)		(37,700)
Totals with Summer		(10,300,900)	12,028,600	12,493,200	(476,900)
Total without summer		(8,138,500)	13,335,900	12,493,200	2,992,800

A majority of the UBC felt that charging non-resident students in Corvallis the “supplemental tuition” charge, regardless of modality, was reasonable. The UBC recommends considering the financial and enrollment impacts of charging non-resident students learning on the Corvallis campus the non-resident supplemental tuition regardless of course modality (face-to-face or Ecampus).

There are some complexities in this that the UBC has not reached definitive recommendations on:

- If tuition is charged by campus status, non-residents in Corvallis would pay the instruction fee and supplemental tuition regardless of course modality. They would not pay the distance education fee when taking an Ecampus course (as that would add significant expense on top of non-resident tuition). If that is done, then presumably resident students in Corvallis would likewise pay only the instruction fee (not the distance education fee) on the argument that the state is paying for that infrastructure portion whether it is Ecampus infrastructure or campus infrastructure. Depending on the impact on non-resident enrollment, this would be neutral to net revenue positive by about \$3M. It was assumed that summer tuition would still be charged by course modality.
- If residents students in Corvallis pay the same for face-to-face and Ecampus courses (on the argument the state contribution is underwriting the infrastructure costs of the campus and Ecampus) it raises the question of whether Oregon residents who are purely Ecampus students should pay the same rate as a resident student in Corvallis (since those Ecampus students are counted in the state formula for funding allocation). If the distance fee were discounted for those truly distance resident students the cost is about \$2.5M. This may be the most important discussion for establishing fairness and consistency across modalities for Oregon residents who

are partially supported by the state whether they are taking Ecampus or campus courses. It was an issue that struck several members of UBC as important to address.

- UBC did look at an estimate of what would happen if the distance education fee were distributed across all undergraduate tuition rates (on the argument that Ecampus is now so large it is just part of the overall infrastructure). The challenge was that such a change lowered Ecampus tuition well below peers (impacting the perceived quality of the program) and it requires substantial (on the order of 10%) increases in rates for the “instruction fee” component. If this were a path that made sense, it could be done over 2 to 4 years so the annual change was not so large.

4. Review per credit hour pricing and assess use of a tuition plateau

The UBC discussed the idea of a tuition plateau again, considering the arguments for (encouraging course exploration, adding one-credit experiential learning or physical activity courses, encouraging completion) and against (the plateau subsidizes students most able to take higher loads who may be those who have fewer outside obligations). A majority of the committee thought considering a plateau structure that started at 15 credits and was fixed price after that had merit (Figure 1). Models that returned to a plateau beginning at less than 15 credits require such large increases in rates for 1 to 12 credits that this did not seem an effective initial strategy. If the 15-credit plateau idea has merit and is successful, the plateau could be extended downward one credit a year with an appropriate increase to offset the change and keep net revenue neutral.

The committee recommends reviewing the outcomes of the change to per credit hour pricing and seeing if those outcomes align with the university’s goals for retention rates, graduation rates, enrollment, and financial stability.

5. Competitive constraints on Ecampus tuition

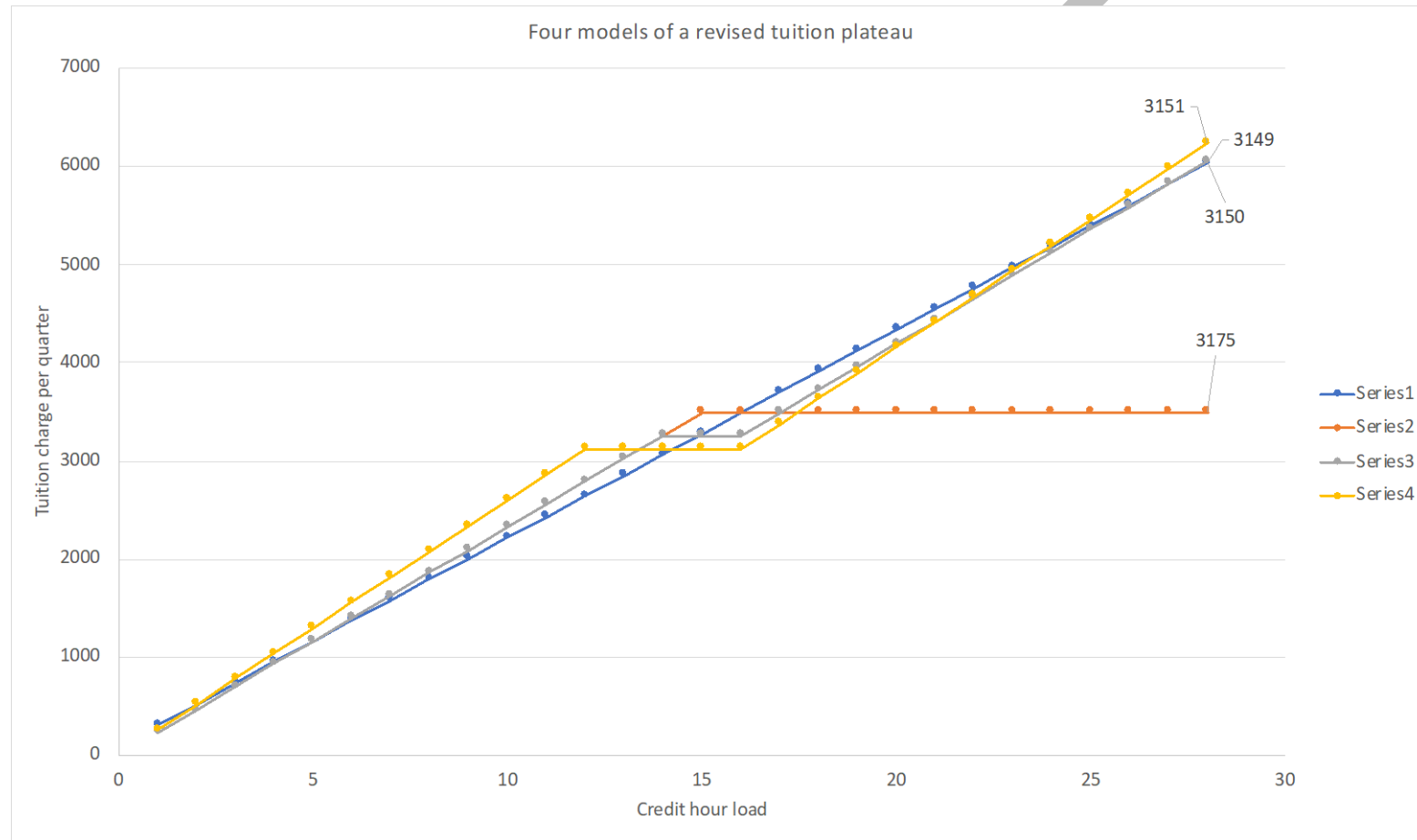
In setting tuition, the UBC recognized that Ecampus competes nationally for enrollment. This means rates have to be set relative to national competitors, considering both price point as well as program quality and reputation. Rates cannot be significantly higher than peers (Arizona State, Purdue Global, etc.) but also should not be overly discounted as market surveys show that can influence student perceptions of program quality.

This need to coordinate Ecampus tuition with national norms and trends creates a constraint on the tuition issues discussed above, as campus rates are compared to Ecampus rates and influence how students perceive the appropriateness of those charges.

Budget Model Review

The budget model review process was somewhat delayed and started with only a couple meetings of the UBC remaining. There are members of the UBC engaged with various workgroups for the budget model review. Staci Simonich (on the University Mission workgroup), Kelly Sparks (on the Research Mission workgroup), and Sherm Bloomer (staffing the University, College, and Research workgroups). It is expected that the UBC will connect with the budget model workgroups review materials developed over spring and summer when the committee reconvenes in fall quarter.

Figure 1: Illustration of the current resident undergraduate tuition structure (Series 1), a fixed-price model starting at 15 credits (Series 2), a 14 to 16 SCH plateau (Series 3), and a plateau like that in place prior to FY15 of 12 to 16 credits (Series 4). Per credit hour rates are adjusted to yield about the same average tuition per headcount (the numbers pointing to each curve).



Centrally-funded graduate assistant waivers and remissions

The Graduate School has historically provided graduate tuition waiver (and/or remission) support in five categories:

- Provost's Fellowships (\$218K in FY15, \$350K in FY21)
- OSUF funded fellowships (\$303K in FY15, \$602K in FY21)
- Grant-funded training fellowships (\$449K in FY15, \$790K in FY21)
- Laurels fellowships (\$756K in FY15, \$633K in FY21)
- Targeted fellowships (\$518K in FY15, \$339K in FY21)

The externally funded fellowships have grown substantially (OSUF and grant-funded) and have put pressure on the existing budget of \$2.7M. This has meant some requests for support have had to be turned down once budget is exhausted.

The Graduate School had already charged a workgroup to review funding models for the centrally supported graduate tuition remissions and waivers so the UBC did not stand up an additional workgroup. The Graduate School workgroup did talk with Sherm Bloomer about some of the current budget practices related to centrally-funded waivers and remissions. The recommendation from the Graduate School principally focused on proposals for expanding funding for graduate assistant positions supported by Foundation gifts or training grants, with various splits between colleges, existing central budget, and additional central budget. The recommendation was:

"In order to develop financial solvency and adequately support students, we recommend splitting the commitment for tuition three ways: the Provost's office (administered by the Graduate School), the College, and the donor. Recognizing the budgetary authority conferred on the deans and the importance of the relationship between the college and the donor, it is the dean's discretion what balance of the 2/3 obligation falls to the college and to the donor.

Details of the proposed arrangement:

1. For each new OSU Foundation graduate fellowship created, **two-thirds of the tuition obligation will be secured through a combination of college commitment and donor endowment.**
2. For each new OSU Foundation graduate fellowship created, the **Provost's office would commit to increasing the Graduate School's tuition waiver budget by the amount needed to cover one-third of the annual tuition** for any students on new fellowships, perhaps administered through settle-up at the end of the fiscal year.

An alternative: the tuition waiver budget is **indexed to the resident tuition rate and the number of active OSUF Fellowships**, adjusted annually with the increase in the tuition rate; and the budget should **allow carryover**.

The Provost may still want to charge a group to consider if the current structure and use of central funding of waivers and remissions is aligned with institutional goals for graduate enrollment. The larger questions a group could consider include:

- Should graduate fellowships be funded centrally or should these be unit-level costs and decisions?

- If funded centrally, are there goals or criteria that would differentiate centrally-funded from unit-funded tuition support for graduate students?
- How should that central funding be structured relative to the existing programs?

Tasks and continuity recommendations for 2021-22 UBC

There are a number of issues that should be picked up by the new University Budget Committee when it reconvenes in fall:

- Consider how to “institutionalize” the cohort approach to undergraduate tuition with the goal of making the annual tuition setting process more predictable.
- Engage with the recommendations from the budget model review workgroups and provide perspective and comment.
- Follow-up on the Provost’s guidance (and potentially other groups) and provide implementation advice as appropriate for:
 - University enrollment plan
 - Tuition definition and segmentation proposal
 - Charging academic year tuition by campus rather than modality
 - Aligning resident tuition for Oregon residents studying at a distance with tuition for Oregon residents taking face-to-face classes in Corvallis or Bend
 - Implementing a plateau model for undergraduate tuition
 - Consider if a multi-year approach is most appropriate for the set of these changes recommended to proceed
- Engage with a review of central funding of graduate fellowship support if requested by the Provost.
- Review the E&G budget process and timeline and provide recommendations on how UBC and other campus constituencies could be meaningfully and appropriately engaged in the development of the annual Corvallis Education & General budget.