Preliminary FY2019 Tuition Scenarios and Education and General Budget Planning

SUMMARY

Discussions on budget planning and tuition recommendations for the 2018-19 fiscal year have been underway since September 2017. These have included discussions by the University Budget Committee, university leadership, Faculty Senate Budget and Fiscal Planning Committee, and the Student Budget Advisory Council. The groups have reviewed projections of expenses, revenues, and new strategic budget allocations needed to advance university priorities.

2018-2019 Budget Projections

For FY2018-19 the aggregate inflation increase is estimated at about 2.8 to 3.0%, cost increases for growth are about 1.4% of expenses, and strategic investments (including an additional $5M for repair and renewal of facilities) total about $19.3M.

These cost increases could be offset by a $4.8M increase in state funding (4%), $2.1M in growth in other revenues such as indirect cost recovery, $14.6M from enrollment growth (primarily Ecampus and non-resident undergraduate students), and $9.6M from tuition rate increases. The rates assumed are only for planning at this point and include a 3% increase for resident undergraduate students, 2% for non-resident undergraduates, 1.5% for resident graduate students, and 4.5% for non-resident graduate students. This would also allow institutional financial aid to grow about $2.2M.

Tuition and Inflation History

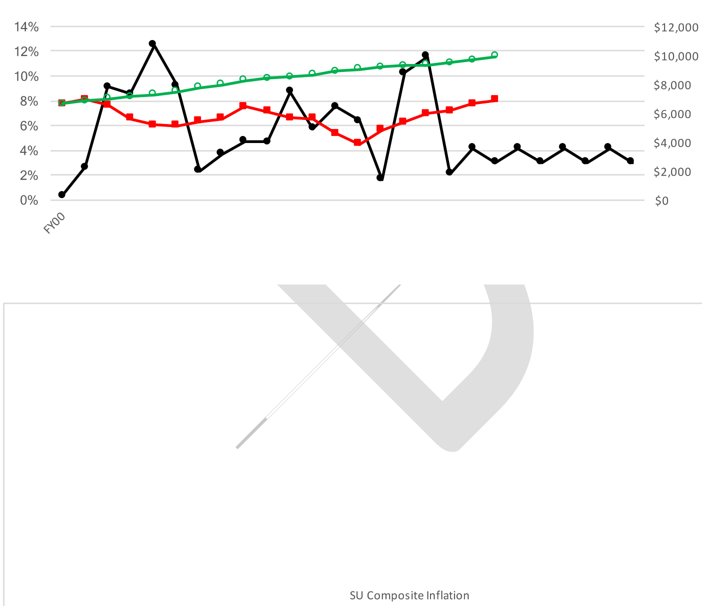

Figure 1: The upper figure summarizes the rate changes in resident undergraduate tuition (black line), actual state funding per resident student at all levels (red line), and what state funding per student would be if the FY2000 levels had grown at CPI inflation (green line). The large increases in tuition in FY2015 and FY2016 were due to the elimination of the tuition plateau. From FY2000 to FY2018 local inflation averaged 3.4% a year, state funding per resident student grew 0.2% per year, and resident tuition grew 6.0% per year. The large variations in tuition increases from year-to-year have been as challenging to manage as the overall growth in tuition. The rates projected through FY2025 assume modest growth in state funding.

The lower graph compares the CPI to an estimate of "local" inflation for OSU, based on actual raises, benefit increases, and increases in the cost of goods. High rates reflect major changes in benefit rates (primarily benefits), low rates reflect years when salaries were frozen or there was a reduction in the rates charged for retirement benefits. The higher rates projected for the first years of the next three biennia (FY2020, FY2022 and FY2024) are because of projections showing continued large increases in the rates charged for the Public Employees Retirement System (PERS). Over the last 20 years, OSU's inflation of costs has exceeded the CPI by an average of 1.2 percentage points, although there has been significant variation.

Undergraduate Tuition Scenarios

The Board noted after last year's discussions that it was helpful to discuss undergraduate tuition in reference to more than one scenario.

Table 1: Undergraduate tuition scenarios for 2018-19. The rates and specific actions are for discussion and may be changed prior to the recommendations to the Board at the April 2018 meeting.

	Scenario A	Scenario B	Scenario C
Tuition Proposal:	Resident UG: 1.5% Non-resident UG: 1.0% Financial aid increase: $1.6M Budgt surplus/(deficit): $(4.1M) $131 ann/incr res UG $272 ann/incr non-res UG	Resident UG: 3.0% Non-resident UG: 2.0% Financial aid increase: $2.2M Budgt surplus/(deficit): $0M $261 ann/incr ResUG $544 ann/incr non-resUG	Resident UG: 4.5% Non-resident UG: 3.0% Financial aid increase: $2.7M Budgt surplus/(deficit): $3.7M $392 ann/incr res UG $816 ann/incr non-res UG
Issues:	0.7% to 0.8% reduction in projected spending, either in specific strategic investments or targeted program reductions	Budget is balanced maintain current programs & services at projected current service level inflation. Budgets for costs of enrollment growth (2.5% overall, 11% in Ecampus). Includes strategic allocations for capital renewal, OSUF and Alumni Assn, athletics, student success & support services.	Faculty excellence fund, recruiting distinguished scholars to strategic and growing programs ($1.8M) Increase financial aid pool from 12.2% to 12.5% of UG tuition ($1.0M). Add'l student support staff (financial aid and registrar's office - $0.9M).

ALTERNATIVE STRATEGIES

- Talk about annual tuition increases in a longer-term context
- Consider some kind of four-year guaranteed rate increase
- Review current financial aid practices and develop a five-year financial aid strategy
- Pursue alternate revenue streams that could reduce the proportion of cost increases tuition has to cover. These could be endowment income, increased state funding, unrestricted gifts, or more aggressive enrollment growth of non-resident students.