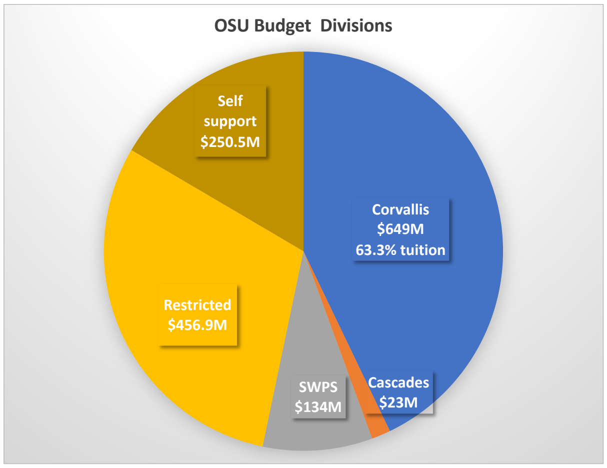
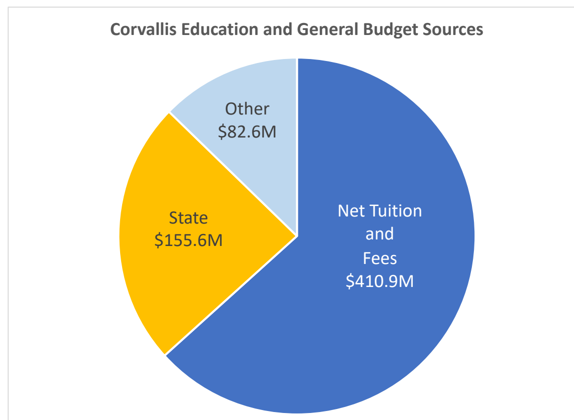
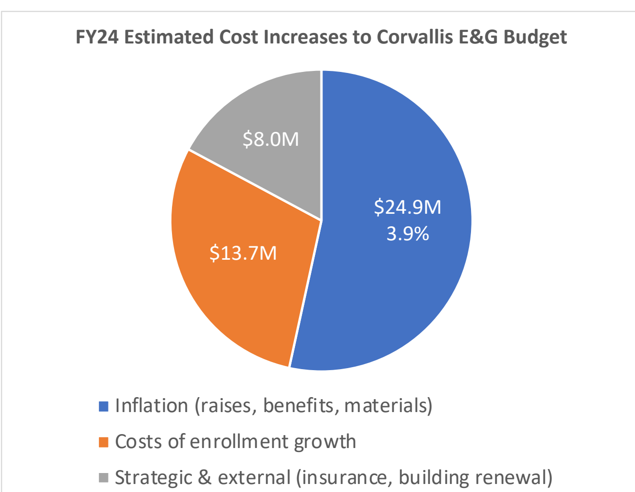


Where does the OSU budget come from? The OSU budget has three main "buckets" supporting five major types of operation. Tuition contributes to the budget for Education & General (E&G) funds for academic programs at Corvallis and Cascades. The other three operations are for specific purposes and aren't used for general university support of academic programs or services. These include Statewide Public Service (SWPS) funds (funded by the state for research and service to support communities and industries in Oregon), restricted funds (like federal grants for research, federal financial aid, designated private gifts), and self-support funds (like Housing and Dining, Parking, or Athletics, funded through charges for services or media revenues). Most non-E&G funds do not receive tuition revenues and, typically, self-support funds are not available for Education and General fund purposes.

What does tuition pay for? Tuition is the largest source of funding for the academic mission of the university. The E&G budget supports academic programs which includes most of the faculty, graduate assistants, and staff that deliver the academic programs and services; the physical infrastructure supporting those programs; and the service, support and administrative functions that allow those programs to work at both the Corvallis and Cascade campuses. Over 75% of the spending of those budgets is on salaries and benefits for faculty, staff, graduate assistants, and student workers. At Corvallis, about 63% of the E&G budget comes from tuition, approximately 24% is from the State, and 13% is from other sources.





Why does tuition keep going up? The biggest factor responsible for tuition increases is increasing annual costs (see chart to the left). OSU has inflation in salaries, benefits, and costs of goods and services like any organization. For example, from the current year to the next, salary costs, benefit costs, and service and supply costs are projected to increase about $24.9M. That's an inflation rate of about 3.9%. There are also costs necessary to keep up with enrollment growth (particularly in Ecampus, supporting costs of Ecampus course development and staff in colleges to deliver course sections). Other cost pressures are non-inflationary increases in mandatory costs (like insurance, debt, or utilities) and the desire to make commitments for essential improvements (sometimes at the request of students, staff, or for compliance) like repair of facilities, or for future return (like hiring more fundraising staff now to generate more scholarships in the future), replacing business management systems, and so on. The growth costs this coming year are estimated at about $13.7M and the mandatory and strategic investments about $8.0M. Tuition increases on continuing students would only be supporting these inflationary costs.

Why can't OSU cut expenses instead of raising tuition? OSU is always looking for expense reductions and, in many years, has made reductions in expense growth (e.g., in the 2017-18 fiscal year about $20M in E&G expenses, in FY21 during the pandemic, when tuition for continuing students was frozen, E&G expenses were reduced over $50M). These reductions were generally distributed across all operating units at OSU. OSU is a large, complex university with many missions and many stakeholders engaged in those different missions. Reducing expenses by cutting programs or functions is challenging and needs substantial thought and discussion. While in any given year, it is likely possible to address the inflationary costs described above by cost reductions, the problem with addressing cost increases *only* with expense cuts is that, after a while, essential programs or services have to be cut. For example, if inflationary costs are 3.5% every year, and OSU cut that much in expenses every year, in five years the cuts would be about 16% in total and many programs and services would be eliminated due to lack of funding.

How is tuition set and what are next year's recommendations looking like? The University Budget Committee (UBC), which includes students, faculty, and staff, is responsible for making recommendations on tuition to President Murthy. The recommendations for 2023-24 are informed by practices that include:

- The Board policy of expecting tuition increases in the range of 2% to 5%
- Continuing undergraduate students (for all campuses, residencies and modalities) would have tuition increased at no more than the estimated rate of inflation.
- Undergraduate students matriculating in the next academic year would have tuition increased at a slightly greater rate to support future improvements they would benefit from.
- Institutional financial aid would continue to grow to support students with need and Western Undergraduate Exchange students. That aid has more than doubled from about $45M in FY20 to $95M in FY24.

The approach implicitly assumes that in making a commitment of inflationary increases for continuing students (which helps them plan), OSU will manage (barring extreme circumstances) any shortfalls in other funding sources or commitments to new costs and programs through revenue growth strategies, cost reduction measures, or redistribution of the existing budget.

Cost Category:	**Average % of total spend**	**Projected inflation change**	**Weighted contribution to total**
Unclassified Salary & Pay	37.91%	3.50%	1.33%
Unclassified OPE	18.22%	4.60%	0.84%
Classified Salary & Pay	7.19%	4.75%	0.34%
Classified OPE	4.63%	4.79%	0.22%
Graduate & Student Pay	5.58%	4.00%	0.22%
Graduate Fee Remissions	3.29%	0.00%	0.00%
Graduate & Student OPE	1.04%	8.00%	0.08%
Other Salary Costs	0.81%	2.00%	0.02%
Services & Supplies, Other	21.33%	4.00%	0.85%
Estimated inflation increase FY23 to FY24 for E&G funds:			**3.90%**
Unclassifed salary rate change includes 3% raise and reserve for equity and other potential adjustments.			
OPE increases include changes in rates, benefits costs linked to raises, and employer contribution for state paid leave program			

The UBC has discussed these projections and concludes that a 3.9% increase for continuing students would be warranted given the estimates for inflationary costs (detailed at left). The committee is still discussing what, if any, would be an appropriate increase for new students and is considering a recommendation for an additional 0.5% increase (for a total of 4.4% for new students).

The recommendations to President Murthy from the UBC may also include the results of discussions on:

- Limiting the number of undergraduate cohorts to six, with students who have been at OSU more than six years included in the oldest of the six cohorts. This would be easier to manage and would encourage timely completion.
- More narrowly defining appropriate uses of course fees and rolling some course fees into tuition rates which would add a fractional percentage increase to the rates noted above.
- Providing more definition to when a college can seek differential tuition and what appropriate limits on differential tuition rates should be.