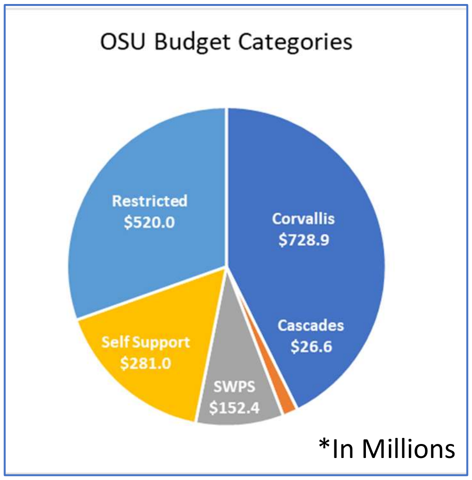
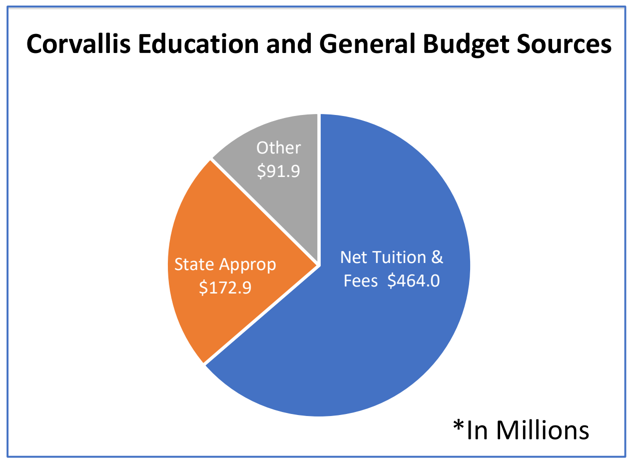
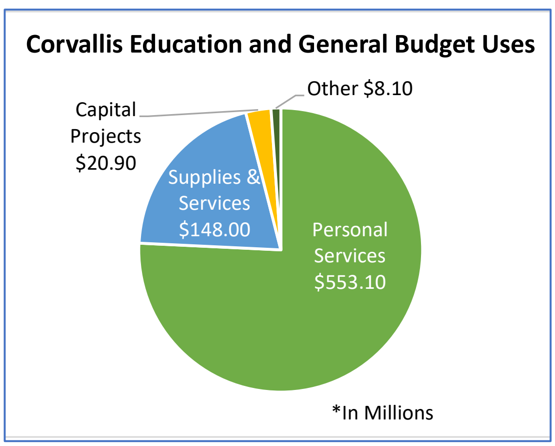


Where does the OSU budget come from? The OSU budget has five principal parts. Tuition contributes to the budget for Education & General (E&G) funds for academic programs at Corvallis and Cascades. The other three funds are for specific purposes and are not used for general university support of academic 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). At Corvallis, about 64% of the E&G budget comes from tuition, approximately 24% is from the State, and 12% is from other sources.

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 Cascades campuses.





Why does tuition keep going up? The biggest factor responsible for tuition increases is increasing annual costs. OSU has inflation in salaries, benefits, and costs of goods and services like any organization. Over 77% of the spending of those budgets is on salaries and benefits for faculty, staff, graduate assistant employees, and student employees. For example, from the current year to the next, salary costs, benefit costs, and service and supply costs are projected to increase by about $59M. There are also costs that result when enrollment grows (particularly in Ecampus, supporting costs of Ecampus course development and staff in colleges to deliver course sections). Other cost pressures include 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. Strategic investments of $8.5M add to the anticipated $59M of cost pressure noted above. Tuition increases for continuing students would support the inflationary costs while tuition increases for new students would help support the inflationary costs and strategic investments.

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. Many organizations generally combine a mix of expense reallocations and revenue increases to meet financial obligations, since overreliance on only one of these tools creates unsatisfactory outcomes. Colleges and administrative and support units of OSU will be reallocating and reprioritizing their activities in order to function within budgeted resources, even in light of higher tuition revenue anticipated for FY 2025.

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 2024-25 are informed by practices that include:

- The Board guideline of expecting tuition increases in the range of 2% to 5% when possible.
- 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 in growth from about $45M in FY20 to an estimated $106.4M in FY25.

The UBC has discussed the current projections for FY25 and has provided different revenue scenarios using estimated ranges for tuition increases. (detailed below). 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.

In October, three of OSU's collective bargaining agreements initiated reopening conversations. These efforts are currently underway and final details are unknown at this time. Once known, updated forecasts for personnel costs can be used to inform final tuition recommendations. However, it is possible that negotiations may not be completed before tuition rates must be set. We will continue to model multiple scenarios to inform recommendations, while continuing to prioritize affordability for students and ensure that we are able to deliver the academic programs and mission-specific objectives that students come to OSU for.

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

- More narrowly defining uses for course fees and subsequently rolling some course fees into tuition rates which would add a fractional percentage increase to the rates noted below.

DRAFT - For planning purposes only

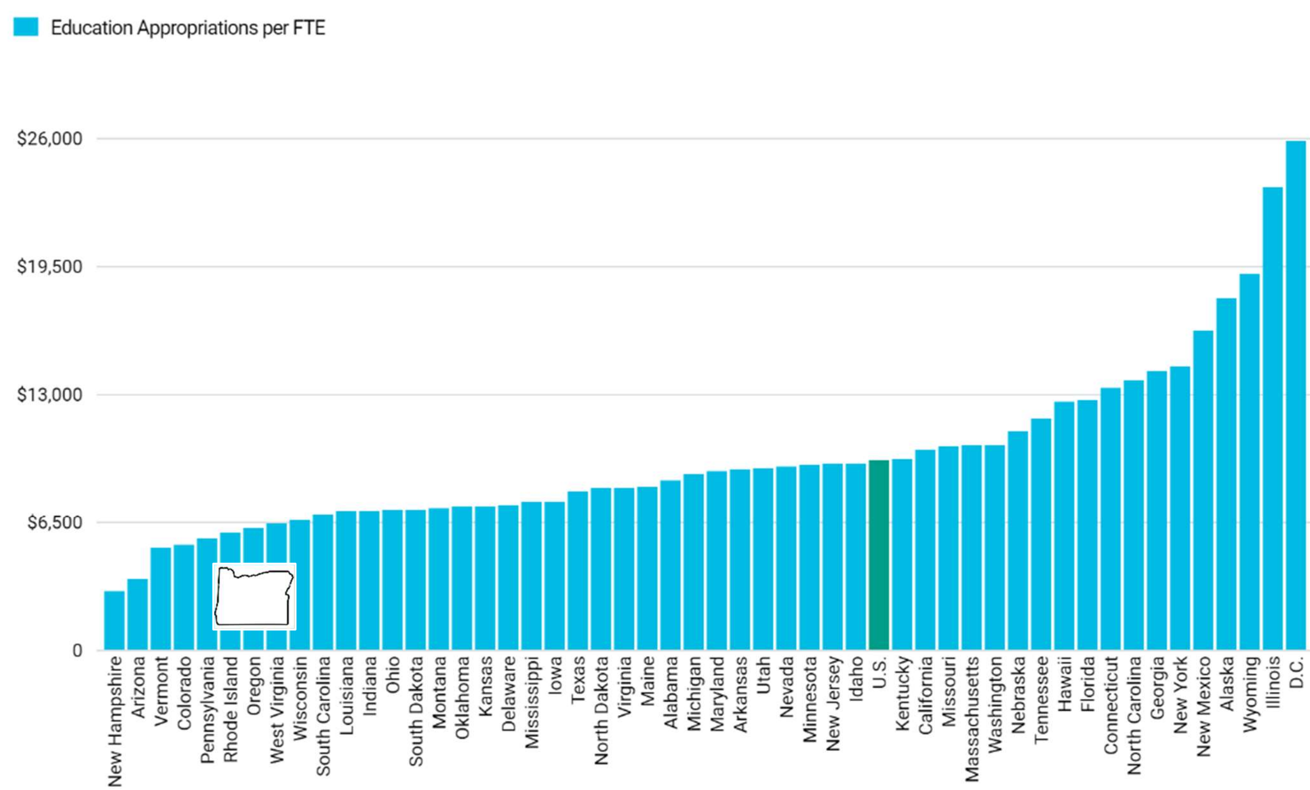
		FY24 to FY25			
Cost Category:	average % of total spend	Total Change - Low	Total Change - Mid	Total Change - High	Comments/Method
Unclassified Salary & Pay	37.96%	3.00%	4.00%	5.00%	
Unclassified OPE	18.39%	5.12%	6.16%	6.16%	2.42% on base plus incremental OPE for salary increase
Classified Salary & Pay	6.92%	7.75%	8.75%	9.75%	4% COLA plus 4.75% step
Classified OPE	4.44%	8.42%	9.49%	9.49%	2.42% on base plus incremental OPE for salary increase
Graduate Assistant Employee Pay	3.72%	3.00%	4.00%	5.00%	
Hourly Student Employee Pay	1.56%	3.00%	4.00%	5.00%	FY24 Student minimum $14.20 x Inflation for FY25
Graduate Fee Remissions	2.85%	0.00%	0.00%	1.00%	0% resident tuition increase
Graduate & Student OPE	1.13%	3.00%	4.00%	5.00%	
Other Salary Costs	0.26%	3.00%	4.00%	5.00%	
Services & Supplies	21.31%	6.20%	14.35%	16.40%	Increases in O&M for new building, insurance increases, debt service
Capital Outlay	1.05%	2.50%	3.50%	4.50%	
Student Aid	0.41%	2.50%	3.50%	4.50%	local assistance this is outside major financial aid
Service Credits		2.50%	3.50%	4.50%	Generally aligns with S&S
Total Expenditures	100.00%	4.55%	7.05%	8.05%	Continuing Cohorts
		5.05%	7.55%	8.55%	New Cohort

**The ranges used in these models are for planning purposes only and do not suggest expected outcomes from any negotiation process.*

State Funding

Over the last few decades, we've seen a change with state appropriations and tuition. The State used to be the primary source of funding for public higher education, and now it's the students. While state funding in Oregon has been increasing in the most recent biennia, it still is not gaining significant ground on the percentage of costs covered. Oregon is still near the bottom of education appropriations for FTE for four-year institutions and not near the national average.

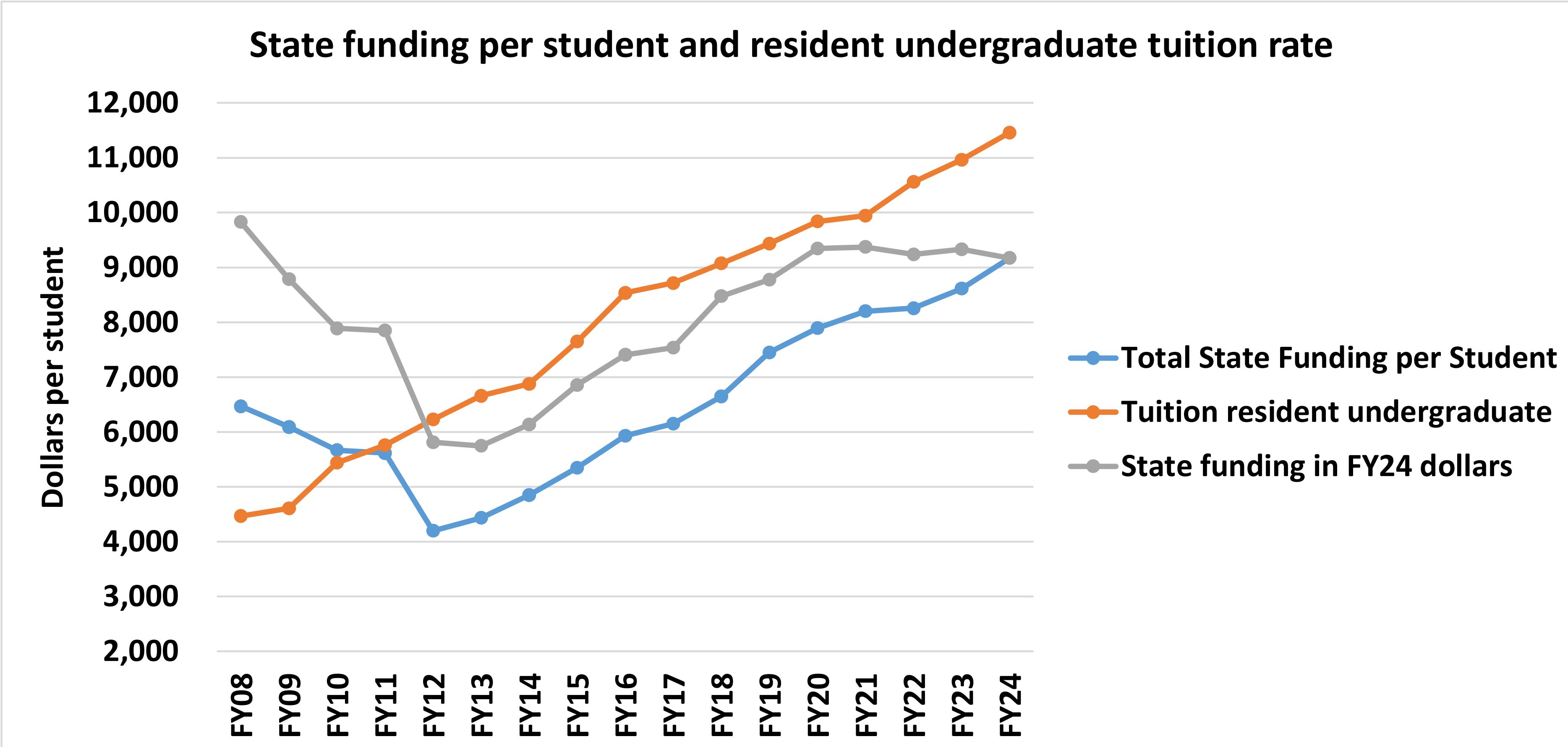
Public Higher Education Appropriations per FTE by State at Four-Year Institutions, FY 2022 (Adjusted)



Notes:

1. Education appropriations are a measure of state and local support available for public higher education operating expenses and student financial aid, excluding appropriations for research, hospitals, and medical education. Education appropriations include federal stimulus funding.
2. The U.S. calculation does not include the District of Columbia.
3. Fiscal year 2022 net FTE enrollment is estimated for Arkansas and education appropriations for Illinois and Texas include estimated local appropriations.
4. Constant 2022 dollars adjusted by the Higher Education Cost Adjustment (HECA).
5. Adjusted to account for interstate differences using the Cost of Living Index (COLI). The COLI is not a measure of inflation over time.
6. Sector is determined at the institution level using the Carnegie Basic Classification (https://carnegieclassifications.acenet.edu/). Baccalaureate/Associate's Colleges and "less-than-two-year" degree-granting institutions not assigned a Carnegie classification are considered two-year institutions.

Source(s): State Higher Education Executive Officers Association


State funding per student and resident undergraduate tuition rate
Dollars per student
12,000
11,000
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
FY08
FY09
FY10
FY11
FY12
FY13
FY14
FY15
FY16
FY17
FY18
FY19
FY20
FY21
FY22
FY23
FY24
Total State Funding per Student
Tuition resident undergraduate
State funding in FY24 dollars