



Oregon State
University

Budget and Resource Planning

Oregon State University
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University Budget Committee Meeting Agenda

Friday, October 27, 2023

9:30-11 a.m.

Valley Library Room 3622 (East Willamette Industries Seminar Room) and via Zoom:

<https://oregonstate.zoom.us/j/96630837853?pwd=M3dOY1p2YWVubUFtL2gyaVVWTmUzZz09>

1. Introductions
2. UBC Charge & Overview of Year
3. Overview of University Fund Budgeting
4. Update on current year budget
5. Topic requests from Committee & Questions

University Budget Committee

The University Budget Committee (UBC) is appointed by and is advisory to the Provost. The Vice President for Finance and Administration, faculty leadership, student government, and others recommend members to serve on the UBC.

The UBC includes a representative cross-section of the university by function and is the primary forum for discussions on the University's education and general (E&G) budget. Members of the UBC are charged with communicating with their colleagues and communities and to bring a broad university perspective to all discussions. The UBC contributes an independent point of view to central university budgeting and provides advice and oversight to central administration on policies and practices, including the timelines, regularity, visibility, and accuracy of its reports.

Some UBC members have standing appointments due to their job responsibilities, and others will typically change on an annual basis, such as the student members and chair of the Faculty Senate Budget and Fiscal Planning Committee. The terms of other members will be staggered to assure both continuity and renewal. The expected average term of service is three academic years and appointments will generally not be renewed for consecutive three-year terms.

2023-24 University Budget Committee

- Nicole von Germeten – Professor of History; Director, School of History, Philosophy, and Religion; Interim Associate Dean, CLA; OSU Faculty– **UBC Chair**
- Marc Norcross- Associate Professor, College of Health; OSU Faculty
- Jon Boeckenstedt – Vice Provost, Enrollment Management
- Jeff Luck – Associate Professor, Health Mgmt. & Policy, Faculty Senate BFP committee
- Jessica Dupont – Associate Vice Provost, Market Dev. & the Student Exp., Division of Educational Ventures & Ecampus, OSU Faculty
- Bob Cowen – Associate Vice President for Research & Operations, Hatfield Marine Science Center
- John Gremmels –Capital Planning & Development; Infrastructure Working Group
- Shaun Bromagem – Financial Planning Manager, College of Engineering
- Terri Libert – Interim Chief Financial Officer, OSU-Cascades
- Tim Carroll – Dean, College of Business
- Tom DeLuca – Dean, College of Forestry
- Steve Hoelscher – Associate Vice Provost Operations, Student Affairs
- Nicole Dolan – Exec. Director of Budget Development and Strategic Planning, Finance & Administration, *ex officio*
- Kayla Campbell - Associate Director, Budget Analytics, Finance & Administration, *ex officio*
- Joe Page - Graduate Student, Master of Public Health Candidate, College of Health
- Thomas Gonzales – Associated Students of Cascades Campus, Vice President, Undergraduate Student, Psychology, College of Liberal Arts
- Carissa O'Donnell – ASOSU, President, Undergraduate Student, Environmental Studies, College of Agricultural Science
- Matteo Paola– ASOSU, Student Fee Committee Chair, Undergraduate Student, Political Science, College of Liberal Arts
- Noe Alvarez – Undergraduate Student, Accounting, College of Business
- Tania Davis – Ecampus Undergraduate Student, Human Development & Family Studies, College of Health

Charge

The standing UBC charge:

- Make annual recommendations on tuition and mandatory enrollment fee rates to the Provost and President as part of the University's development of an annual tuition and fee proposal for the Board of Trustees in March of each academic year.
- Oversee the process of development of tuition recommendations consistent with ORS 352-102 and the policies of the University's Board of Trustees.
- Review and propose edits to policies regarding tuition, differential tuition, course fees, and areas that impact the E&G budget.
- Identify, research, and review issues of concern brought forward by committee members, or the university community, and provide recommendations to the Provost.

The Provost may provide additional specific charges in a given academic year to address current issues of budget policy or planning.

The UBC may form subcommittees and/or invite members of the university community to participate on an *ad hoc* basis as necessary in order to address specific issues. Non-UBC participants and guests will not participate in voting.

Members of the university community are welcome to observe UBC meetings. The meeting schedule will be posted on the Budget & Resource Planning web site.

Roles and Responsibilities for Tuition and Fee Recommendations

The University Budget Committee has certain roles and responsibilities in its capacity as the tuition advisory body defined in ORS 352-102.

The University Budget Committee serves as OSU's tuition advisory board as described in ORS 352.102 as amended by HB 4141 (2018). The statute requires that, in recommending resident tuition and mandatory fee rates to the President each year, the university will:

- Establish (and post) a document describing the role of the advisory body (a minimum of 2 faculty, 2 administrators, 2 students from government, 2 students representing historically underrepresented groups) and its relationships to the university, president, and board.
- Provide the advisory body with training on:
 - The university budget
 - Mechanisms by which the state funds universities through HECC
 - Historical data on resident UG tuition and fees and state appropriations
- Include information for the advisory group on:
 - A plan for how the board and administration manage costs on an ongoing basis
 - A plan for how resident tuition and mandatory enrollment fees could be decreased with more state funding
- Ensure that the advisory group, before making a recommendation for an increase over 5% in tuition and fees to the president, documents a discussion of:
 - The impact on students with an emphasis on historically underrepresented students and the impact on the mission of the university
 - Alternative scenarios with lesser tuition increases and the consequences
- Instruct the advisory group to:
 - Provide meaningful opportunities for student government and other students to participate in the process and deliberations of the advisory body

- Provide a written report to the president with recommendations (including a summary of the deliberations and observations), including any minority report and the materials referenced above
- Post all materials, descriptions, processes and data on the university website including agendas, documents, data and minutes

Tuition and the Tuition Setting Process

Net tuition and fees provide about 64% of Corvallis Educational and General funding (ranging from 63% to 67% in recent years) and more than 80% of gross tuition is from undergraduate instruction. Resident undergraduate, non-resident undergraduate, and Ecampus tuition are 22%, 29% and 36% of gross tuition revenues, respectively, totaling about \$549M. The University Budget Committee is the tuition advisory body for OSU as required by ORS 352-102.

OSU is a special type of university. There are around 4,050 higher education institutions in the U.S. of which 680 are public, four-year universities. Of those, 71 are Land Grants (excluding the tribal colleges), 80 are Research 1 or R1 universities (very high research doctoral institutions), and only 34 are both Land Grants and R1 universities. OSU is one of those R1 Land Grant universities.

Table 1: Tuition comparisons 2022-23

	Annual Tuition	
	Resident	resident
Undergraduate-per academic year, 15 credits per term		
Oregon State	11,010	32,910
Average Strategic Peers	10,699	32,605
Average All Land Grants here	10,978	32,741
Average Public Pac-12	11,154	37,589
Median Strategic Peers	11,266	29,861
Median All Land Grants here	11,238	30,153
Median Public Pac-12	11,442	39,036
Graduate-per academic year, 12 credits per term		
Oregon State FY16	13,446	28,242
Average Strategic Peers	12,251	29,290
Average All Land Grants here	12,379	29,181
Average Public Pac-12	13,144	30,737
Median Strategic Peers	11,468	28,163
Median All Land Grants here	11,584	28,232
Median Public Pac-12	12,014	32,308
Ecampus-per credit (compared on quarter equivalent basis)		
	Annual Undergrad Tuition	
	Resident	Non-resident
Oregon State quarter basis	346	346
Average	383	383
Median	325	325
Standard Deviation	170	170

The median cost of attendance for resident undergraduate students at a set of OSU's peers is around \$32,000.

OSU's tuition is similar to our peers among 32 public R1 institutions (Table 1)¹ though there is a wide range from \$9,489 to \$20,046 per year for residents and \$25,162 to \$42,954 for non-residents. Academic year tuition is for 15 credits per term for undergraduates and 12 credits per term for graduates.

Tuition only sets the list price for attendance. For many students, the actual cost is reduced by awards of financial aid. Grant aid (that students do not have to pay back) comes from three sources: university aid (paid for out of tuition revenues), governmental grants (mostly Federal), and privately funded scholarships. Loans can come from government-sponsored programs or private sources.

Tuition is only one part of the cost for students. Students also have costs for fees, room and board, books, transportation, and incidentals. Every university provides a cost of attendance estimate annually.

Table 2: Cost of Attendance comparisons

OSU Cost of Attendance Estimates 2022-23 Undergraduate, 3 quarters, full-time

	Resident	Non-resident
Tuition and Fees	\$ 13,191	\$ 34,983
Room and Board	\$ 14,238	\$ 14,238
Books and Supplies	\$ 600	\$ 600
Personal	\$ 2,247	\$ 2,247
Transportation	\$ 594	\$ 594
Total	\$ 30,870	\$ 52,662

¹ Strategic peers include Ohio State, Penn State, UC Davis, Purdue, Florida, Illinois, Wisconsin, Colorado State, NC State, UC Riverside, Tennessee and Washington State. Other land grants used include Michigan State, Texas A&M, Virginia Tech, Louisiana State, Kansas State, Arizona, and Georgia. Online comparisons include Penn State, Florida, Colorado State, Washington State and a number of other online programs ranked highly by U.S. News and World Report.

Tuition rates are set by the Board of Trustees. The Board's policy on the Tuition and Fee Process states that:

"Tuition and mandatory enrollment fees are established annually by the Board, generally at the Board's meeting in March or April prior to the applicable academic year. When setting tuition and fees, the Board considers a number of factors, including the desire to provide access to degree programs, create a diverse student body, maintain strong degree programs at every level, and develop and maintain the human and physical infrastructure necessary to support Oregon's educational outcome goals. The Board's commitment to maintaining the long-term quality of the university's programs for students and for the state requires a deliberate approach to managing costs, planning for inflationary increases in costs, and considering new strategic investments. The Board, based on its commitment and fiduciary duties, including managing anticipated inflationary cost increases, establishes the expectation that annual tuition rate increases will be between 2 and 5 percent. Changes outside this range will be considered when necessitated by external factors such as changes in state funding, costs of state-provided benefits, or reductions in program scope or costs. "

The policy recognizes that there are annual increases to costs largely outside the control of the institution. These include salary increases (recently 2% to 4% annually, depending on employee group), increases for health insurance and retirement plans (2% to 10% annually depending on rates for the state's retirement plan), and inflation on the costs of goods and services (about 2.0% in recent years, estimated at 4.5% for the coming year though rates are volatile right now). The aggregate cost increase is usually between 2% to 5% and, because tuition is over 60% of revenues, this places annual pressure on tuition rates. Those rate increases occur every year and can be offset some years, in part, by reductions. Repeated cost reductions can, over time, harm the quality of the academic and other services the university provides students, faculty, and staff.

The President recommends tuition rate increases to the Board based on advice from the University Budget Committee². The UBC reviews the overall budget of the institution, historical tuition and fee trends, comparative data for peer institutions, the University's budget and projected costs, anticipated state appropriation levels, and comment from tuition forums and meetings with student groups.

The UBC has recommended, as standard practice, that tuition for continuing students (for all campuses, residencies and modalities) increases at no more than the estimated rate of inflation, based on a weighted average across spending categories. Tuition for students matriculating in the next academic year would increase at a slightly greater rate (for initial planning, an additional percentage point, but ultimately set with close attention to markets) than continuing students.

The UBC makes recommendations to the Provost and President for all tuition rates (undergraduate, graduate, differential, etc.) as well as student health services fee, the matriculation fee, and the Student Building Debt/Loan fee. Meeting notes and materials are posted online for the university community. The recommendations are made by the end of February. The UBC convenes a series of forums and solicitations for public comment January through March. Feedback is shared with the Board, including any minority reports from the UBC. Full descriptions of the mandatory enrollment fees are [posted online](#). The public universities provide a consolidated financial activity report on the fees annually to the Higher Education Coordinating Commission.

Mandatory incidental fees (supporting things like Rec Sports, the MU, Cultural Centers, etc.) are developed by the Student Fee Committee of ASOSU and ASCC. These groups make recommendations of

² The whole University Budget Committee comprises OSU's Tuition Advisory Council and was established to comply with ORS 352.102 that defines some particular aspects of the tuition advisory process.

fee rates to ASOSU who approves and sends them to the President. With the President's approval, those recommendations are forwarded to the Board for final approval.

Components of Tuition and Financial Aid

Tuition is charged to help support the costs of instructional delivery and a student's academic experiences, as well as the facilities, services, and support operations that enable those experiences. Tuition can be charged in a number of different ways. Right now, tuition is charged by the course delivery mode (one rate for Corvallis, one for Cascades, one for Ecampus), by student level (graduate or undergraduate), and by student residency (in-state or out-of-state). Out-of-state rates are usually higher than in-state rates because the state contributes funding principally for residents of Oregon.

Undergraduate tuition:

Undergraduate tuition is charged by the credit hour (plus a small base charge for Corvallis and Cascades campus students). Undergraduate tuition may include:

- Base tuition: These rates are charged to undergraduate students in all programs.
- Differential tuition: This is an additional charge per credit charged by majors or courses that provide unique services or have particularly high costs of delivery. Engineering, Business, Forestry, and the Honors College have differential tuition charged by major. Some courses in the arts and graphic design in Liberal Arts have differential tuition charged by course.
- Undergraduate tuition rates at Corvallis and Cascades are different for resident students and non-resident students (non-resident rates are about three times resident rates).
- Ecampus undergraduate tuition is charged by credit hour (and includes the same differential charges) but has a different rate than campus rates and no difference between resident and non-resident rates.

Graduate tuition:

Graduate tuition is charged either per credit hour (the MBA in Business) or on a plateau basis—a charge per credit to 9 credits per quarter then no additional charge through 16 credit hours—which is common for most masters and doctoral graduate programs. Graduate tuition may include:

- Base tuition: These rates are charged to graduate students in most programs.
- Differential tuition: This is similar to undergraduate differentials. Engineering, Business and Public Health have per credit differential tuition.
- Professional tuition: This is a flat charge per quarter for programs with a set curriculum and professional accreditation. These include the Doctor of Veterinary Medicine degree, Doctor of Pharmacy degree, and the Doctor of Physical Therapy degree.
- Ecampus graduate tuition is charged on a per credit hour basis (and includes the same differential charges) but has a different rate than campus rates and has no difference between resident and non-resident rates.

Other charges:

There are some other charges that may appear on students' bills:

- Mandatory fees: These are per quarter fees charged to all students (with a small number of exceptions) for student building loan/debt fee, student health services fee, and a matriculation fee (charged only once upon entry to OSU). These are recommended by UBC.
- Mandatory incidental fees: These are charged to all students (with a small number of exceptions) and are proposed, recommended, and overseen by elected student governments at Cascades and Corvallis. They fund a variety of services prioritized by student representatives.
- Course fees: These are fees charged per course for costs, experiences, equipment, or events unique to the particular course. These are proposed by academic units and are reviewed and approved by financial staff at the university.

Financial aid:

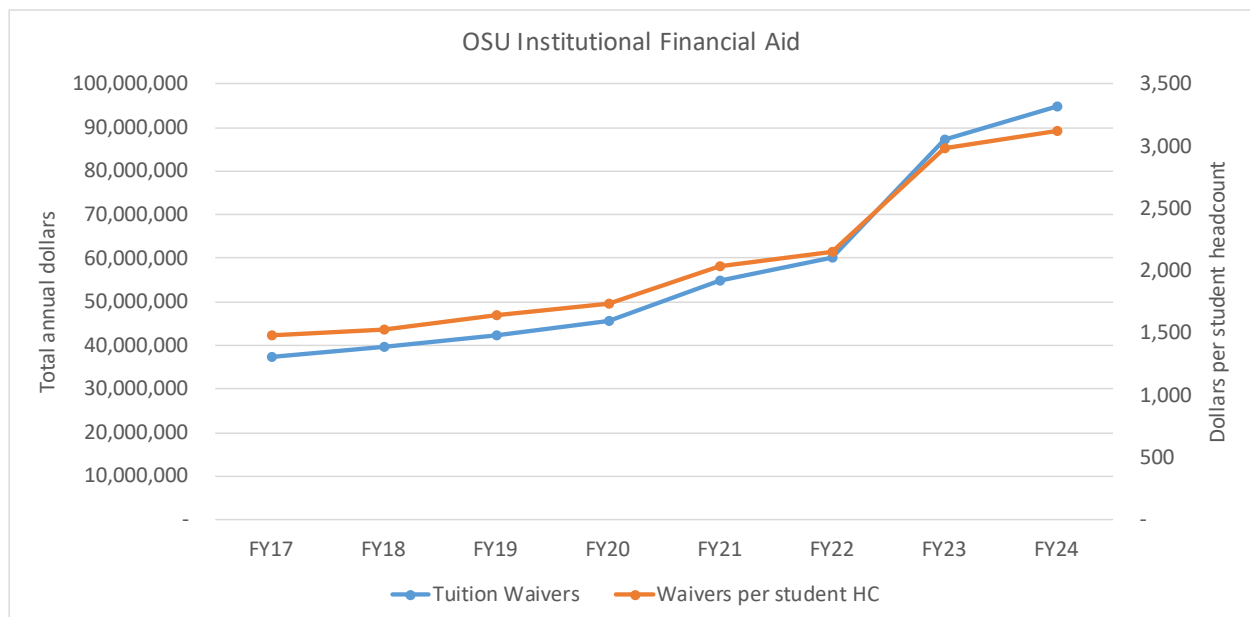
Tuition is part of the “list price” for attending OSU – the price before financial aid grants (aid that students do not have to pay back) is applied. Net price or cost is what students and families have to pay after accounting for grants and scholarships awarded to students.

Financial aid grants fall in three broad categories:

- Governmental aid: These are principally Pell Grants from the federal government and Oregon Opportunity Grants from the state. These are need based awards.
- Private scholarships: These are funds provided by private donors (individuals, foundations, corporations, non-profit organizations). These can be need- or merit-based and may have restrictions to certain majors or programs.
- Institutional financial aid: These are scholarships provided by the university out of general revenues. You will see them in our financial summaries as tuition waivers or negative revenue. They basically discount “list” tuition. These can be need- or merit-based but are more on the need side.

The first two types are sometimes referred to as “funded aid” as an entity other than the university pays them on behalf of the student. The third is “unfunded aid” as it is aid the university provides and is an overall reduction to tuition revenue. Of the \$329.6M in aid awarded in FY2023 31% was institutional financial aid (OSU E&G revenues committed to aid); 54% was federal aid; 6% was state aid, and 9% was from external loans (8%) and scholarships (.6% - largely from private donations).

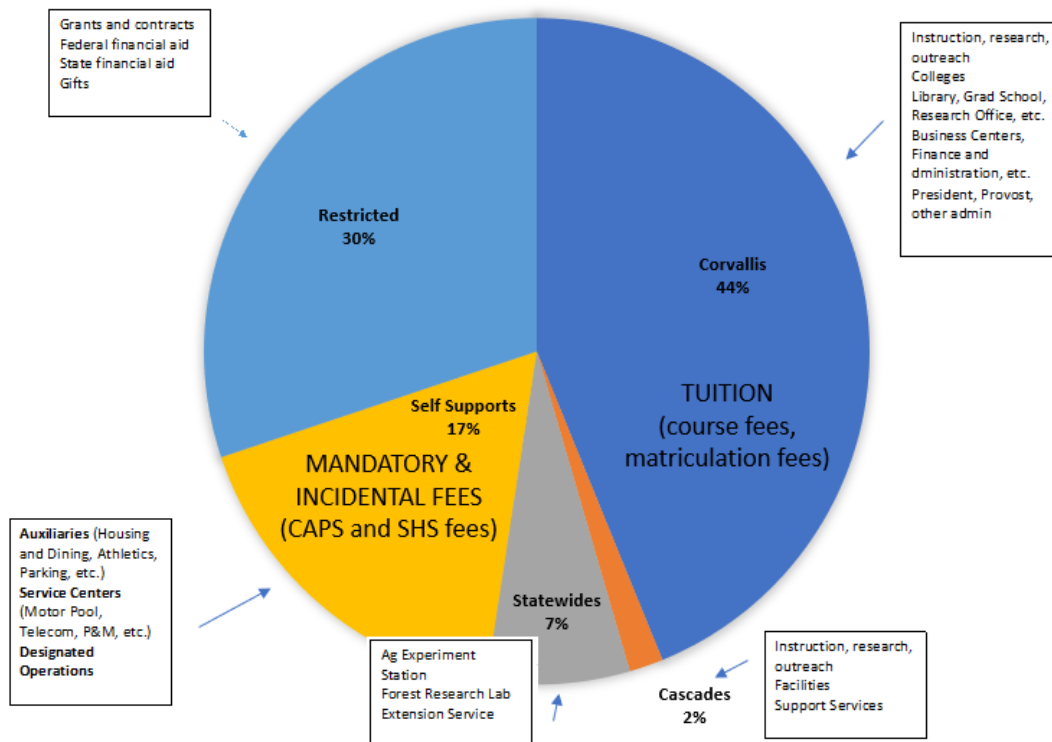
One of OSU’s challenges is that the funded aid available to the university is not as large as at many other public universities. The university has prioritized raising private scholarship dollars in the recently launched fundraising campaign and has made a significantly increased commitment to institutional financial aid over the last three years. The latter is intended to both address the net cost of attendance and to increase enrollment of non-resident U.S. students (which helps maintain overall tuition revenues).



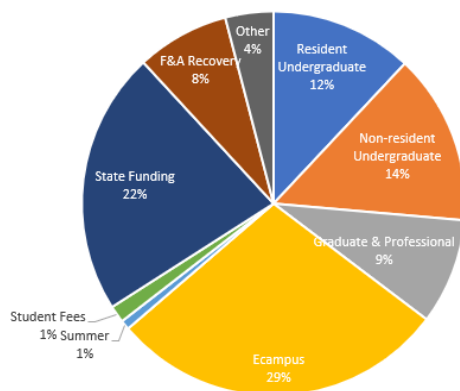
Overview of the FY24 University Budget

This presents a high-level summary of a couple of big-picture parts of OSU's operating budget. The operating budget has three main buckets: (1) Education and General (Corvallis, Cascades, and Statewide Public Services) Funds, (2) Restricted Funds, and (3) Self-Support Funds. There are some other parts to the budget (like plant funds for construction projects) but these three are the ones supporting almost all university operations.

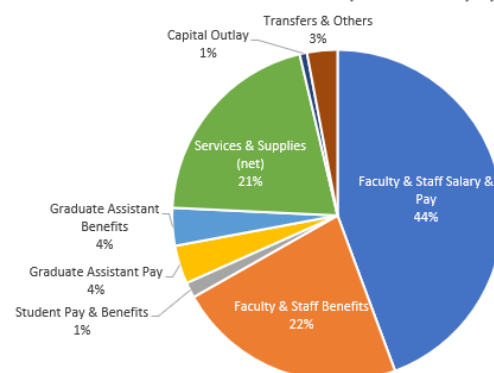
FY24 OSU Operating Budget (\$1.6B, excluding Outdoor School)



FY24 Corvallis E&G Sources (net of waivers)



FY24 Corvallis E&G Expenditures by Type



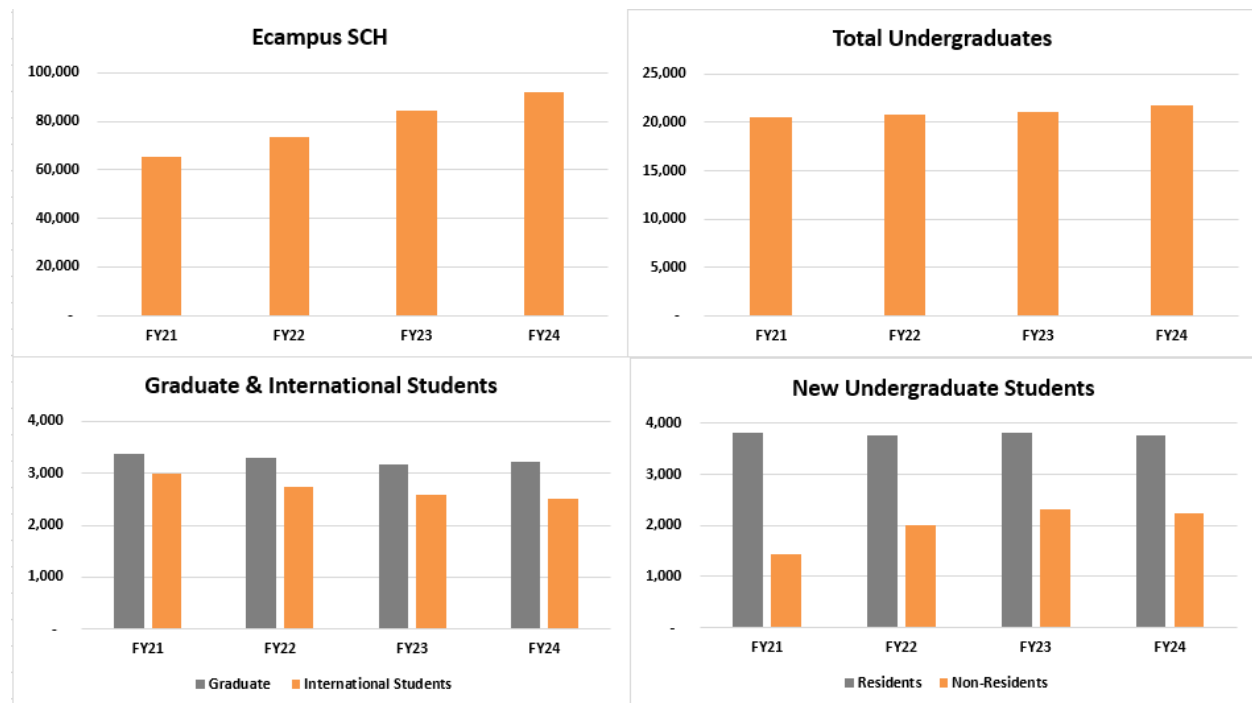
Tuition is the biggest component of Cascades and Corvallis E&G revenue. The left pie chart below shows the sources of Corvallis E&G revenue in FY24. The right pie chart shows the expense distribution projected for Corvallis E&G for FY24 ---note that 76% is related to labor expense.

What does state funding and enrollment look like for FY25?

State funding outlook. The Legislature budgets on a biennial basis. The state typically allocates 49% of the biennial budget to universities in the first year and 51% in the second year; lottery funded programs (Sports Lottery and Outdoor School) as well as SELP debt service are allocated 50%/50%. Usually the 49%/51% split results in a 4.1% year over year increase. However, for the 2023-25 biennium, HECC has distributed 100% of the biennial funding for most targeted/one-time funding in FY24, flattening the overall year over increase for total appropriations. Our largest funding component and most important for institutional operations and student support – the Public University Support Fund (PUSF) – continues to be distributed using the 49%/51% distribution, thus a 4.1% increase for FY25.

How is enrollment doing? Enrollment will likely be about 36,500, an increase of about 4% over last year. This is the 27th consecutive year of fall-over-fall enrollment growth at OSU. The three campuses are all showing increases: about 2.6% at Corvallis (24,400) and 3% at Cascades (1,425) and 7.3% for Ecampus (10,800).

Enrollments in Corvallis show growth in undergraduates supported by substantial growth in new non-resident undergraduates and a stemming of the erosion of resident undergraduate enrollment. The large increase in non-resident undergraduates is a result of OSU rejoining the Western Undergraduate Exchange, which discounts non-resident tuition for some programs and students. New first year students are at an all-time high of 5,000 and this will be the most geographically diverse class ever, with 43% coming from outside the state.



State funding mechanisms and recent history of state funding and tuition

The state provides two major types of funding to OSU—operating funds (which are part of the Education and General operations for OSU) and capital funding, usually as state-paid long-term debt.

FY25 Estimated State Appropriations		
Category	OSU	OPU Total (HECC)
Public University Support Fund (PUSF)	\$ 164,557,973	\$ 509,430,560
Public University State Programs	\$ 14,618,526	\$ 26,752,973
Targeted and One-time Appropriations	\$ -	\$ 405,045
Agricultural Experiment Station	\$ 47,991,930	\$ 47,991,930
SWPS facilities support	\$ 2,395,872	\$ 2,395,872
OSU Extension Service	\$ 35,227,172	\$ 35,227,172
Outdoor School	\$ 28,203,032	\$ 28,203,032
Forest Research Laboratory	\$ 7,050,507	\$ 7,050,507
Subtotal	\$ 300,045,012	\$ 657,457,091
Sports Lottery	\$ 669,508	\$ 9,164,972
State Energy Loan Program (SELP)	\$ 1,053,732	\$ 6,559,608
Total	\$ 301,768,252	\$ 673,181,671

Note: PUSF is before true-up

Operating Funding

The table to the left shows the operating allocations to OSU for 2024-25 as well as totals for the state allocations to all the universities (OPU = Other Public Universities). The Public University Support Fund is the largest allocation and is distributed to universities by the Student Success and Completion Model (SSCM)—more on this below.

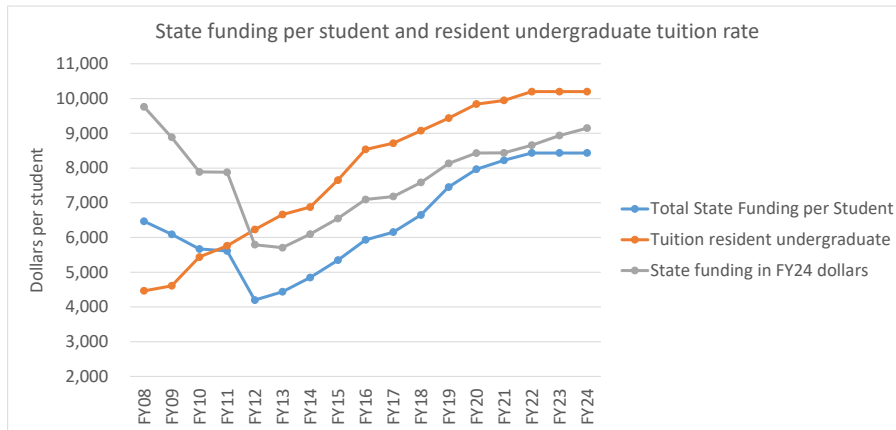
Public university state programs are line item allocations for specific activities of interest to the state. Examples include the Institute for Natural Resources and the Oregon Climate Change Research Institute. The funding for these is recurring, but subject to review every legislative session.

Sometimes there are one-time funds for specific projects of interest to the legislature. These can range from crops to salmon to ocean acidification. The three parts of the Statewide Public Services (Agriculture Experiment Station, Forest Research Laboratory, and Oregon Extension Service) receive the largest part of their operating funds through this state appropriation. The Extension Service also manages the funds for Oregon's Outdoor School program, a new initiative that began in 2017-18. The state program funds, one-time funds, and Statewide Public Service funds are passed through to those particular units. There are also small allocations from the Sports Lottery (to Athletics and the Graduate School) and a loan program for energy efficiency projects (SELP).

The largest part of the operating allocation is the Public University Support fund (PUSF) which is divided between the seven public universities through the SSCM. The SSCM has three components:

- **Mission Differentiation Funding** supports aspects of the work each public university does that are unique to its location or mission. It includes allocations based on regional criteria (OSU-Cascades gets some of this, but not as much as the other regional universities), research (OSU-Corvallis is allocated some of these funds) and public service missions and activities. This funding is 18% of the PUSF.
- **Activity-Based Funding** distributes resources based on student credit hour (SCH) completions of Oregon residents. The model counts credit hours by lower-division, upper-division, graduate, and professional courses and weights the credit hours by both level of study (lower-division vs graduate for example) and by discipline (engineering, english, etc.). 33% of the PUSF is allocated by the weighted credit hour activity.
- **Completion Funding** rewards degree and certificate completions by Oregon resident students. These are also counted and weighted by discipline and level. Completions by underrepresented students (underrepresented minority, low-income, rural and veteran status) and those in academic disciplines in high-demand and high-reward fields (STEM, Health, Bilingual Education) are provided additional 49% of the PUSF (60% of the non-mission differentiation funding) is allocated this way.

The operating budget is set in full sessions (odd years) for the next biennium. 49% of the allocated funding is distributed in the first year of the biennium and 51% in the second year. There are not usually large changes in short legislative sessions (even years) unless there is a sudden economic downturn.



Trends

State funding for higher education declined significantly during the 2008 recession in Oregon as in many other states.

The graph at the left shows state funding per resident student in blue (with earmarked funds like statewide public services that are not used for education taken out).

The steep declines through the recession are evident. The orange line shows annual resident undergraduate tuition (before tuition waivers or other financial aid-- the so-called list price). The grey lines show state funding adjusted for local inflation (meaning the aggregate of actual rate increases for salaries, retirement and health benefits set by the state, and CPI inflation on goods and services) to be equivalent to FY24 dollars.

Tuition rose more rapidly than the local inflation rate from FY10 through FY16, then largely followed the trend of inflation. The large rate increases in tuition in FY15 and FY16 are the change from a tuition plateau structure to per credit hour tuition (the other public universities in Oregon had made this change several years before). Students taking 15 credits or more saw increases in FY15 and FY16 of that size, though students taking 12 credits or less saw 0% tuition increases. State support has grown back significantly but has still not reached the inflation adjusted level it was at in 2003. Increasing costs for the state pension system and public healthcare costs will continue to put significant pressure on state funding available for higher education.

Capital Funding

OSU has an internal process to identify high priority capital projects through an Infrastructure Working Group (IWG) that helps develop a ten-year capital forecast, which is approved by the Board of Trustees. When a project includes a request for state-paid debt support, it goes into the state budget process. The steps include:

- A submission of the project to the HECC. Projects are scored by the HECC using a rubric that looks at:
 - Compliance with HECC and institutional master plans & Alignment with HECC priorities
 - Cost Savings (much of this is deferred maintenance issues)
 - Life, Safety and Code compliance (a lot of this addressed deferred maintenance too)
 - Institutional priority and Impact of project on student success
 - Leveraging dollars (use of gifts, institution funds, other)
 - Strategic priorities of the state
- Based on the scoring, a set of projects from all institutions are submitted to the Governor. The Governor's budget typically includes recommendations for which projects to fund.
- The Legislature gets an assessment of the state's borrowing capacity from Treasury and decides how to allocate the capacity. The university requests have not uncommonly been 80% to over 100% of the available capacity (and we don't get all of what we ask for)
- Universities work to facilitate the funding of their highest priority projects with legislators, stakeholders, and the other public universities.

Employee Benefit Costs

The benefits paid to employees are referred to at OSU as “Other Payroll Expenses” or OPE. They include health insurance, retirement, social security and Medicare, as well as costs for unemployment and other benefits. The tables below provide the components of those benefits (top table), how they translate to a percentage of salary (middle table), and the distribution of employees across the various retirement plans. Beginning in FY24, the university will now be responsible for funding a portion (currently 0.4%, with employees picking up 0.6%) of a 1.0% payroll tax to cover the Oregon Paid Family Leave plan.

The state requires that OSU use the state’s retirement plans (administered by the Public Employees Retirement System or PERS) and health plans (administered by the Public Employees Benefit Board or PEBB). You may hear “PERS” used as shorthand for retirement costs or programs and “PEBB” used as shorthand for health costs or programs. The rates OSU is charged for both are set by the respective state programs.

Components of Benefits Costs at OSU					
	FY22	FY23	FY24	FY25	
% of Salary Components					
Social Security	6.20%	6.20%	6.20%	6.20%	
Medicare	1.45%	1.45%	1.45%	1.45%	
Unemployment	0.20%	0.20%	0.10%	0.10%	
SAIF	0.31%	0.31%	0.31%	0.31%	
OPFMLA			0.33%	0.40%	
Average Retirement	26.27%	26.27%	26.56%	26.28%	
Total	34.43%	34.43%	34.95%	34.74%	
Fixed charge components					
Health insurance	18,180.00	18,450.00	19,098.00	19,674.00	
Total	18,180.00	18,450.00	19,098.00	19,674.00	
Illustration of Costs at Different Salary Levels					
	FY22	FY23	FY24	FY25	
Annual 12-month Salary	Benefits as %:	Benefits as %:			
\$30,000	95.0%	95.9%	98.6%	100.3%	
\$47,000	73.1%	73.7%	75.6%	76.6%	
\$82,000	56.6%	56.9%	58.2%	58.7%	
\$110,000	51.0%	51.2%	52.3%	52.6%	
	Benefits as \$:	Benefits as \$:			
\$30,000	\$28,509.00	\$28,779.00	\$29,583.00	\$30,096.00	
\$47,000	\$34,362.10	\$34,632.10	\$35,524.50	\$36,001.80	
\$82,000	\$46,412.60	\$46,682.60	\$47,757.00	\$48,160.80	
\$110,000	\$56,053.00	\$56,323.00	\$57,543.00	\$57,888.00	

Benefit Increase Year over Year				
FY21 to FY22	FY22 to FY23	FY23 to FY24	FY24 to FY25	
3.20%	1.37%	2.37%	1.73%	
3.30%	1.33%	2.02%	1.34%	
3.40%	1.29%	1.59%	0.85%	
3.50%	1.27%	1.37%	0.60%	
	1.37%	2.37%	1.73%	
	1.33%	2.02%	1.34%	
	1.29%	1.59%	0.85%	
	1.27%	1.37%	0.60%	

Estimates of Inflation

Year-over-year inflation on OSU's costs are different than the inflation that is represented by indices like the Consumer Price Index (CPI). The CPI measures cost changes in a basket of goods and services. OSU's costs are driven largely by cost increases for salaries (many of them set in negotiated contracts) and the costs of benefits for retirement and health insurance (which are set by the State of Oregon). The calculation of the overall inflation rate for the next year is based on a weighted average of the increases in different expense categories. This rate guides much of the recommendation for undergraduate tuition rate changes. The current weighted **estimate** for 2024-25 is currently 4.21%, calculated as shown below:

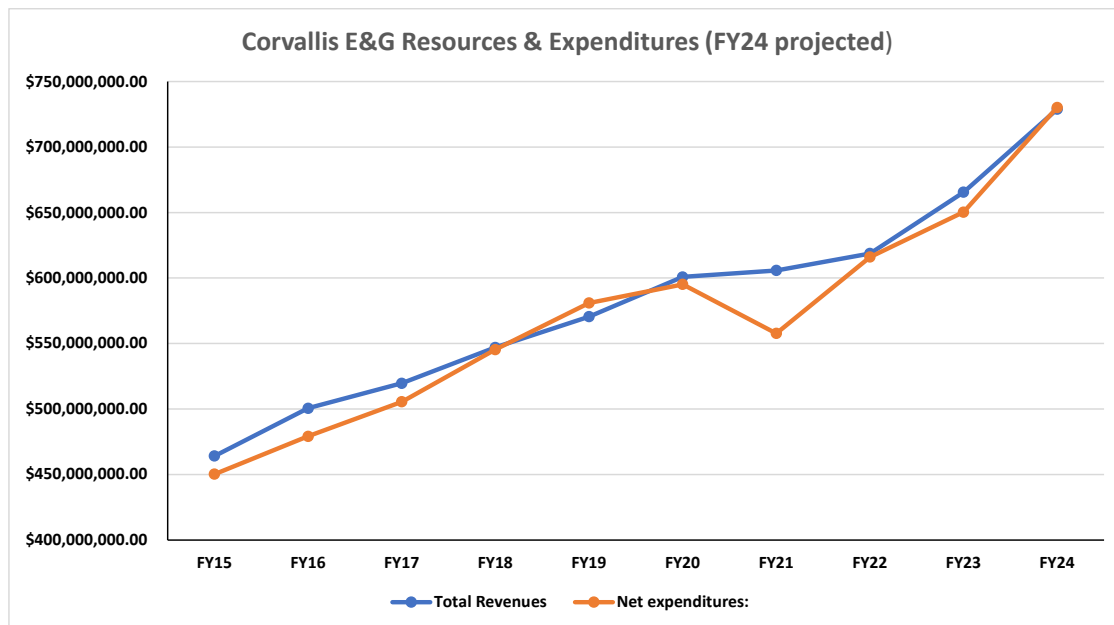
DRAFT

FY24 to FY25					
Cost Category:	average % of total spend	Rate Change	Change due to salary increases	Total Change	Comments/Method
Unclassified Salary & Pay	37.96%	3.50%		3.50%	Estimate effective July 1, 2024
Unclassified OPE	18.39%	2.42%	2.51%	4.99%	2.42% on base plus incremental OPE for salary increases
Classified Salary & Pay	6.92%	8.75%		8.75%	4% average increases, raise plus steps 4.75%
Classified OPE	4.44%	2.42%	2.44%	4.92%	2.42% on base plus incremental OPE for salary increases
Graduate & Student Pay	5.29%	5.00%		5.00%	5% base increase (GA increase , minimum wage)
Graduate Fee Remissions	2.85%	0.00%		0.00%	0% resident tuition increase
Graduate & Student OPE	1.13%	6.38%		6.38%	6.38% general increase (health insurance)
Other Salary Costs	0.26%	2.00%		2.00%	2% general increase
Services & Supplies	21.31%	3.50%		3.50%	3.5% CPI for academic year
Capital Outlay	1.05%	3.50%		3.50%	3.5% inflation for academic year
Student Aid	0.41%	3.00%		3.00%	local assistance this is outside major financial aid
Service Credits		3.50%		3.50%	same as S&S rate
Total Expenditures	100.00%			4.21%	

Cost Management Strategies

The trends of revenues and net expenses (after transfers) for the Corvallis E&G budget are shown in Figure 1. You'll note that expenses track resources closely, since we are a resource allocation organization. The large differences in FY21 result from the cost reductions during the pandemic and the addition of Federal aid that addressed revenue shortfalls in E&G and other funded operations.

Figure 1: Corvallis E&G resource and expenditure growth (including net transfer out expenses). When we talk about budget cuts, we generally talk about slowing expense growth not reducing total overall spending year over year.



The thin margins of resources over expenditures mean that OSU is always looking to manage expenditures carefully. The university monitors and reviews costs both at the Board level and through university leadership at all levels. Some of the principal management activities include:

Board of Trustees:

- Annual approval of budgets for all funds, which requires a review of overall expenditures, projected fund balance, and strategies for cost reductions or investments of new state funding.
- Quarterly management reports assessing trajectories of actual resources and expenditures compared to budget, with an assessment of the reasons for changes outside set tolerances.
- Review of a ten-year business forecast to consider long-term trajectories for tuition, enrollments, expenditures, other revenues, and financial metrics.
- Tuition policy that states the board expects that “annual tuition rate increases will be between 2 and 5 percent” which acknowledges expenditure reductions will be a regular, necessary part of budget planning, as state funding and enrollment growth often will not keep up with inflationary cost growth at those tuition increases.
- The practice of limiting tuition increases for continuing students to the estimated rate of inflation. Investments in new programs, additional spending for capital renewal, or shortfalls in state funding increases are expected to be supported by revenue growth in enrollment or other sources or through cost management strategies.

University Leadership:

- Maintain an annual budget development process that looks three years out and assesses relative needs and priorities across units.
- Manage a system with highly distributed budget authority (deans and senior leaders have a budget with the charge to carry out the unit mission within the allocated resources. Units have sole authority over how to use those funds).
- Periodically assess cost budget growth rates by categories and units over five-year spans to guide decisions about budget reductions or new investments.
- Participating in benchmarking with Helio Campus, a labor benchmarking consortium that provides comparisons of labor for various kinds of services (payroll, IT, etc.) for peer institutions including the University of Oregon, University of Texas, University of North Carolina and others.
- Assess salary levels relative to peer institutions for most professional faculty (classification-compensation structure) and leadership positions to make sure salaries are appropriate to market and job.
- Manage expense reductions, when necessary, which have included \$20M of expense reductions for the 2018-19 academic year and \$7.2M in January of 2019 to adjust to declining enrollments and increased PERS costs. FY20 reductions totaled about \$14M in strategic allocations, services and supplies spending, and personnel expenses. FY21 reductions included planning for about \$49M in Corvallis E&G reductions and included salary reductions for many senior leaders. \$4.3M reductions in FY22 and \$5.8M in FY23 through the “distributed for reserve” in SRBM.
- In these reductions have distributed a larger proportion of reductions (as a percent of budget) to service and administrative units.
- Periodically identify areas for cost-reduction strategies (BennyBuy eprocurement, BennyHire process revision for hiring students, copier contracts, efficacy of custodial contracts, utilities strategies, insurance options, revised travel system, AMP, etc.)
- Encourage zero-based budget review of expenses for service, support and management areas as well as productivity benchmarks for academic units.

Scenario planning for tuition recommendations

Tuition Scenario Table (Corvallis campus): [We will have an updated version of this for UBC at our next meeting]

	Scenario A: Continuing Resident x%, Non-resident x% New Resident x%, Non-resident x%	Scenario B: Continuing Resident x%, Non-resident x% New Resident x%, Non-resident x%	Scenario C: Continuing Resident x%, Non-resident x% New Resident x%, Non-resident x%
State funding at current levels	Resident undergraduate (annual): Before 2020: x Entered FY21: x Entered FY 22: x New FY24: x Non-res undergraduate (annual): Before 2020: Entered FY21: Entered FY 22: New FY24: Surplus or (deficit):	Resident undergraduate: Before 2020: Entered FY21: Entered FY 22: New FY23: Non-res undergraduate: Before 2020: Entered FY21: Entered FY 22: New FY23: Surplus or (deficit):	Resident undergraduate: Before 2020: Entered FY21: Entered FY 22: New FY23: Non-res undergraduate: Before 2020: Entered FY21: Entered FY 22: New FY23: Surplus or (deficit):
	Base resident tuition & fees: % Average res. tuition & fees: %	Base resident tuition & fees: % Average res. tuition & fees: %	Base resident tuition & fees: % Average res. tuition & fees: %

- Graduate tuition, professional tuition, differential tuition and Ecampus at rates discussed elsewhere. Cost estimates include ~X.X% overall inflation this year because of increases in benefit costs; costs of growth (about X% for growth in Ecampus and Corvallis); and new commitments (this year largely for capital renewal and repair, insurance, debt service, investments in information technology, enrollment management and other critical support services TBD). Those total new commitments total \$YM this year.