

Context--Enrollment

Corvallis fall enrollment was a little better than originally projected, but the freshmen class is down over 200 students and the senior class is up over 150 students. Barring significant changes in recruitment or transfer numbers, Corvallis enrollment projections for next year indicate a 2% to 4% decline in resident and non-resident undergraduates, flat graduate enrollment, and 7% growth in Ecampus (an assumed slowing in growth rate from the current year's significant increase). The resident undergraduate declines are a result of demographics for Oregon high school graduates, the expanding use of the Oregon Promise community college program, and increased competition from other four-year universities. Growth in Bend is expected to exceed 4%.

There are efforts underway to increase recruiting of non-resident students (domestic and international), graduate students (which is impacted by the overall state of the economy), and resident undergraduates (both transfers and students direct from high school). Successful efforts here would improve the current projections, but it is too early to know if they will have an impact for FY2021.

Context: Cost Increase Projections

Figure 1 shows a summary of the cost and revenue projections for the Corvallis Education and General budget for FY2021. The left-hand chart shows cost increases in three categories: inflationary drivers (green shades), costs for enrollment growth (blue), and new commitments for long-term issues (brown shades).

Salary costs are expected to grow between 3.0% and 4.5%, depending on the employee group. There is significant uncertainty on salary costs, since negotiations are still underway with employee unions United Academics OSU (UAOSU) and the Coalition of Graduate Employees (CGE). Benefit costs are estimated to increase by about 2.7%, due principally to increases in health insurance rates, as rates for retirement programs are set at the beginning of a biennium. Inflation on services and supplies are projected at about 2.0%. Overall, aggregate inflation on existing services and programs is estimated to be 3.0%. An assessment of whether any existing programs should be reduced will be part of the discussion on reaching a balanced budget. There is growth projected in Ecampus which requires some investment in additional faculty (fairly modest at about \$1.3M). Some of these costs may be reduced if capacity created by declines in Corvallis can be redirected to support Ecampus growth. However, the areas of growth and decline between Ecampus and on-campus programs often do not align.

Aggregate inflation is estimated at about 3.2% overall, depending on the final salary agreements.

Additional commitments are also needed in other areas to address long-term issues. The largest of these is an incremental \$7.0M (for a total of \$20.0M in FY2021) to address capital renewal needs. This allotment would restore the \$2M that was reduced in the current year (only \$3M additional was allocated instead of \$5M) and includes the planned \$5M annual increment for FY2021. The other major incremental costs include an estimated \$2.3M in additional debt service on new revenue bonds, \$2.0M in additional insurance increases, and \$1.2M for the OSU Foundation and Alumni Association to build staff capacity for the next campaign. The specific amounts in Figure 1 are for the Corvallis campus. OSU-Cascades and the Statewide Public Services (SWPS) will see the same inflationary increases.

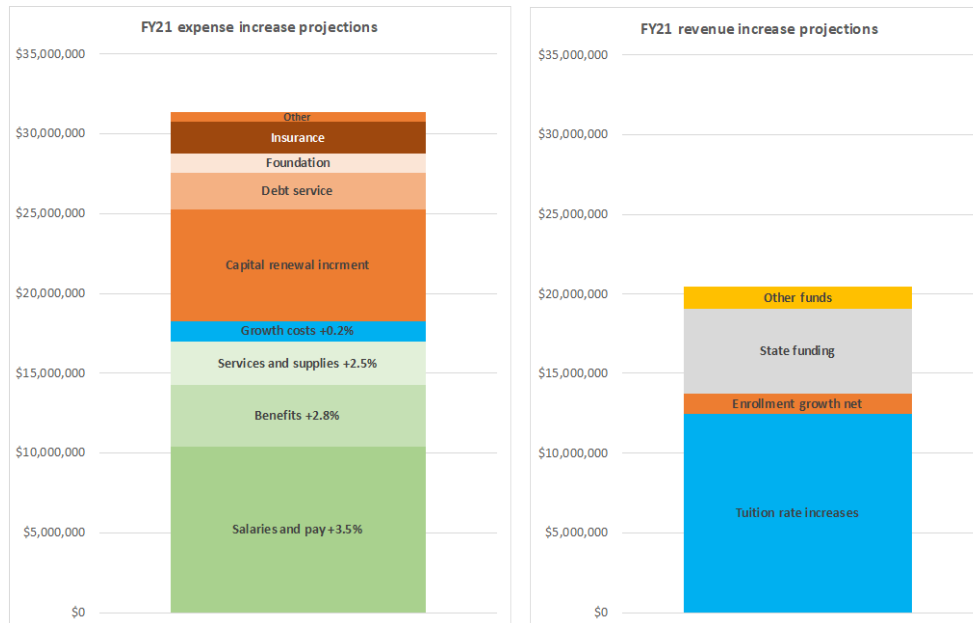


Figure 1: Growth in expense (left) and revenue (right) from FY20 to FY21 budget.

Table 1: Tuition Scenario Table (Corvallis campus): Precise percentage increases in each box are different than the nominal increases in per credit hour charges at the top because there is a fixed zero-credit hour charge that is part of undergraduate tuition and rates are rounded to the nearest whole dollar. This is a starting point for discussion, not recommended rates. Scenario B is set at the estimated overall inflationary increase. Rates are applied to resident undergraduate (including Ecampus) and non-resident undergraduate tuition rates

	Scenario A: Resident 1.5%, Non-resident 1.5%	Scenario B: Resident 3.2%, Non-resident 3.2%	Scenario C: Resident 4.5%, Non-resident 4.5%
State increase second year of a biennium, +4.1%	Resident undergraduate: 1.37% Non-res undergraduate: 1.38% Financial aid increase \$0.7M Surplus or (deficit): \$(15.3M) \$148 annual increase residents \$442 annual increase non-res	Resident undergraduate: 3.20% Non-res undergraduate: 3.06% Financial aid increase \$1.1M Surplus or (deficit): \$(11.9M) \$315 annual increase residents \$900 annual increase non-res	Resident undergraduate: 4.57% Non-res undergraduate: 4.28% Financial aid increase \$1.5M Surplus or (deficit): \$(9.3M) \$443 annual increase residents \$1325 annual increase non-res
	Base resident tuition & fees: 1.85% Average res. tuition & fees: 1.74%	Base resident tuition & fees: 3.56% Average res. tuition & fees: 3.32%	Base resident tuition & fees: 4.85% Average res. tuition & fees: 4.52%

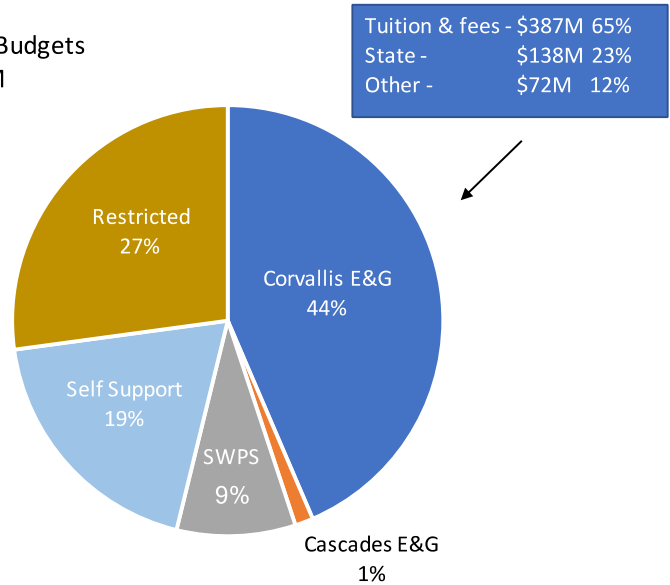
- Graduate tuition increase assumed at 2.5% resident, 4.5% non-resident; professional tuition at 3-4%, no increase in differential tuition.
- Cost estimates include about 3.2% overall inflation this year because of modest increases in benefit costs; costs of growth (about 0.2% for modest growth in Ecampus, but declines in Corvallis); and new commitments (this year largely for capital renewal and repair, insurance, debt service, and the OSU Foundation).

Context: OSU offers a world-class education within an accomplished research-intensive university. There are about 4,050 higher education institutions in the U.S. of which 680 are public four-year universities. Of those, 71 are Land -Grant universities (charged to serve the public), 80 are research-intensive universities that create new knowledge and inventions, and only 34 are both Land Grants and research-intensive universities. OSU is one of those 34 unique places. OSU’s peers include institutions like the University of Arizona, the Ohio State University, the University of Wisconsin-Madison, and Texas A&M University.

How much of the budget comes from tuition?

The OSU budget has five principal parts: Corvallis Education & General (E&G) funds, Cascades E&G funds, Statewide Public Service (SWPS) funds (for research and engagement in Oregon), restricted funds (like Federal grants for research or federal financial aid), and self-support funds (like Housing and Dining or Athletics). The funds in the non-E&G budgets don’t receive tuition and their budgets are not available for Education and General budget purposes. Tuition and fees paid by Corvallis students go to Corvallis E&G, tuition and fees paid by Cascades students go to Cascades E&G. Corvallis E&G operations include Ecampus.

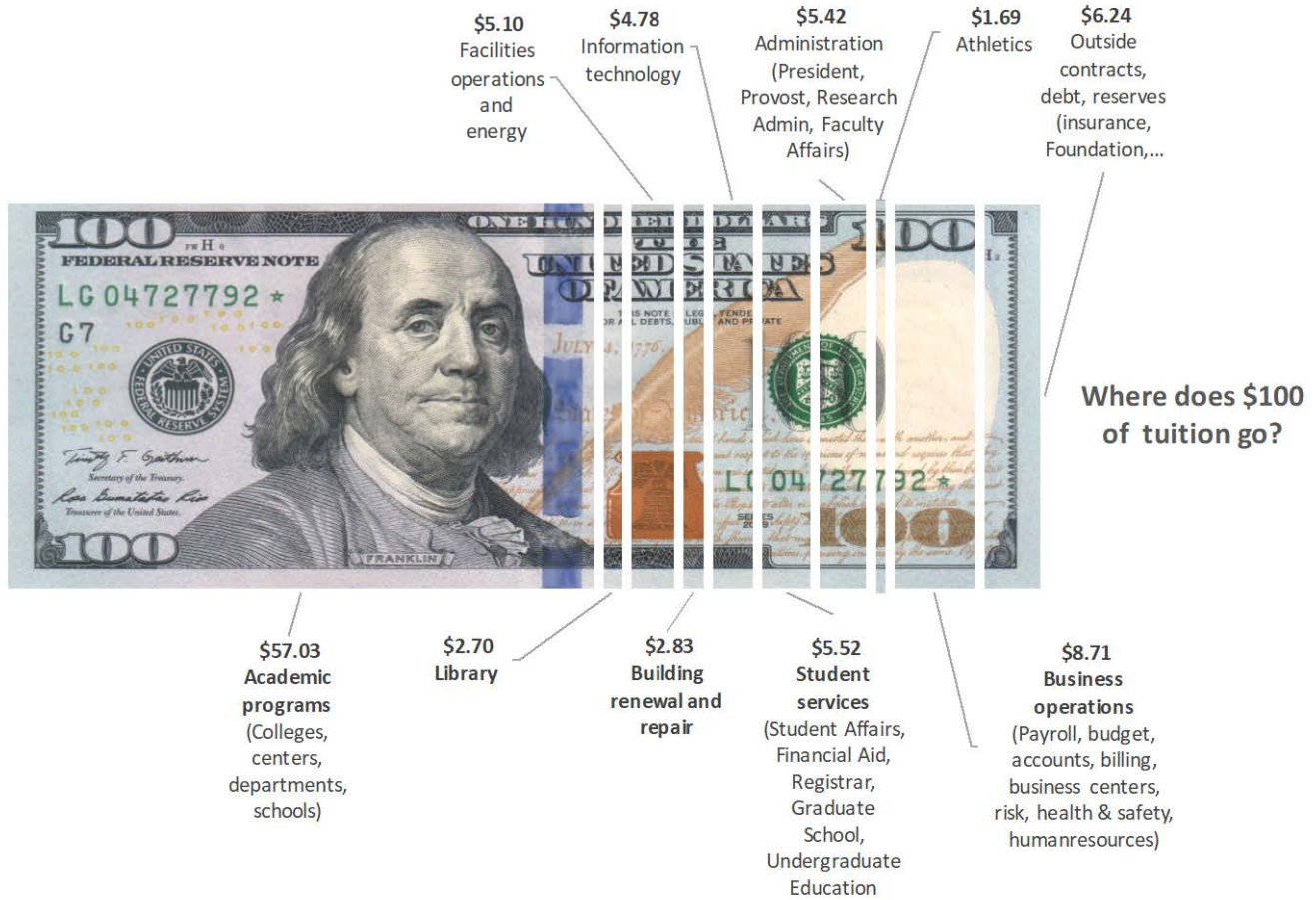
FY20 Revenue Budgets
Total: \$1,352M



How is the Corvallis E&G funding used? The Corvallis E&G budget in 2019-2020 is \$596.5M. 65% of that is from tuition and fees (after \$44M of tuition is returned to students as financial aid), 23% is from the state, and 12% is from other sources. However, not all of that funding is available for any purpose. Some of the state funding is earmarked by the Legislature for very specific uses (this year \$18.6M). Research grants pay E&G what are called “indirect costs” to cover the general costs of supporting that research work by faculty (special library journals, laboratory space, grant accounting, purchasing, research compliance, etc.). Those funds are used to pay for those specific research support costs (this year \$43.9M). Student fees and sales revenues are charged for very specific purposes and are returned to the unit that provides the particular service to cover those costs (this year those total \$52.5M). Some colleges, like Business, Honors, and Engineering charge differential tuition, which is tuition above base or general tuition. Differential tuition is charged to support costs, programs and services specifically for students in the college charging that differential. 90% of differential tuition is returned to the appropriate college and 10% is added to the institutional financial aid pool to help address the additional need the differential charges can create for students. This year that will be about \$22.6M.

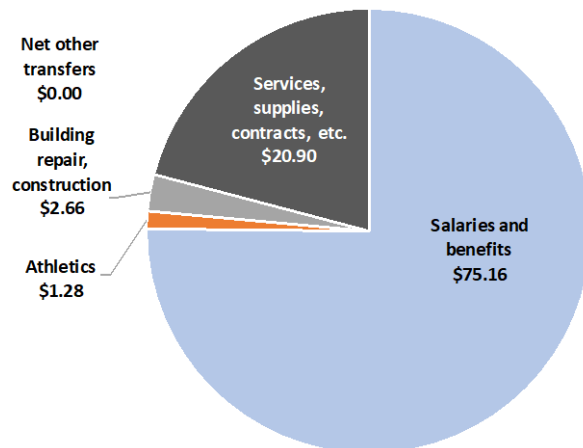
Once those funds are allocated out to units, there is \$459M left that can be distributed to support all of the academic, support, and administrative functions for Corvallis E&G operations. \$364M of that is from base tuition and \$95M is from general state funding. Two ways to look at how those dollars are spent is by what functional units they go to (College of Liberal Arts, Business Centers, Student Affairs, etc.) or by what they are spent to support (salaries, services, etc.).

How are those general tuition dollars distributed to functional units? (The distribution of general state dollars is the same---about \$0.26 of state funding is available for each dollar of tuition distributed).



What are those tuition dollars spent on once they go out to units? 75% of spending within units (on average) is for salaries and benefits (mostly retirement and health insurance) of faculty, staff, graduate assistants, and student workers. 20% is for services and supplies like utilities, materials, books, periodicals, lab equipment, contracts, insurance, and so on. There is some spending for athletics and some for repairing and renovating academic buildings.

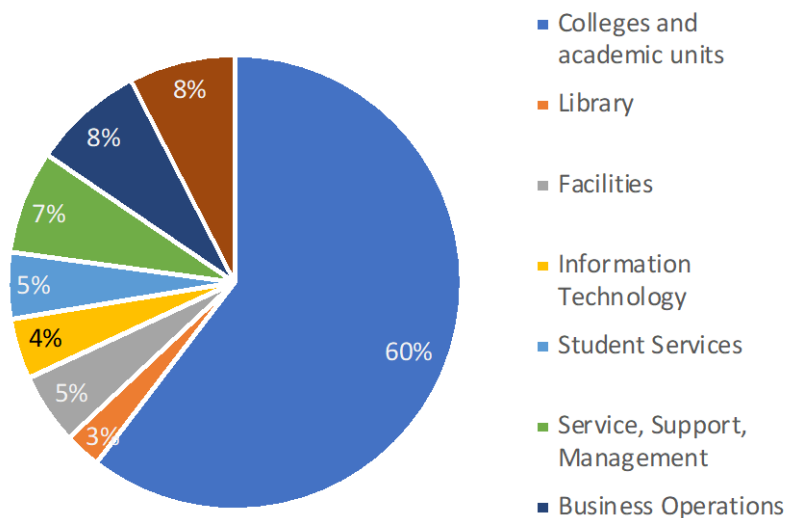
The University Budget Committee has been working on tuition rate proposals for FY21 for the Provost and the President. More information about tuition, tuition rates, and the work of the University Budget Committee can be found at <https://fa.oregonstate.edu/budget/university-budget-committee>. If you have questions about tuition or the university budget or if you would like to make a suggestion or comment you can send those to Sherman.Bloomer@oregonstate.edu.



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What does tuition pay for? Tuition is the largest part of the Education and General (E&G) budget which supports most of the faculty, graduate assistants, and staff that deliver academic programs; the physical infrastructure supporting those programs; and the service, support and administrative functions that allow those programs to work. In short, tuition is the largest source of funding for the academic mission of the university. 75% of the spending of those budgets is on salaries and benefits for faculty, staff, and graduate assistants. The chart at the left shows how tuition and general state funding is distributed to E&G units. Student services includes Student Affairs, Enrollment Management, and Undergraduate Education. Business operations includes things like business centers, payroll, and human resources. Service, support, and management includes the President’s Office, Provost’s Office, Athletics, University

Distribution of tuition and general state resources in the E&G Budget

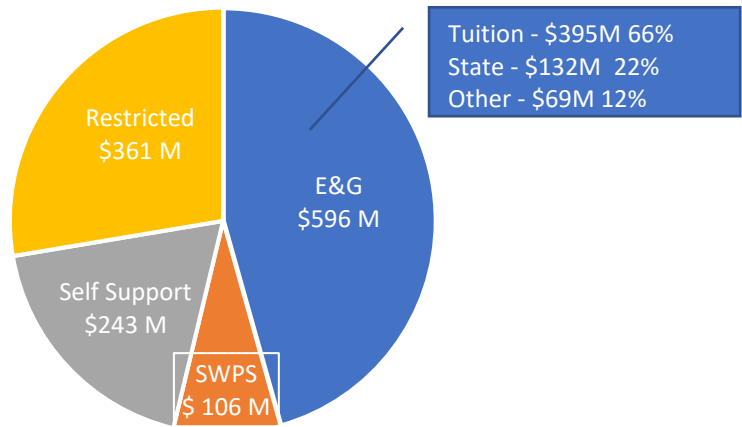


Business operations includes things like business centers, payroll, and human resources. Service, support, and management includes the President’s Office, Provost’s Office, Athletics, University

Relations, Research Administration, Graduate School, and Academic Affairs. Debt and contracts is for costs of debt service on E&G paid borrowing, contracts with organizations including the OSU Foundation, INTO, and the city of Corvallis

How much of the budget comes from tuition?

The OSU budget has four principal parts: Education & General (E&G) funds, restricted funds (like Federal grants for research or federal financial aid), self-support funds (like Housing and Dining or Athletics) and Statewide Public Service (SWPS) funds. The funds in the non-E&G budgets don’t receive tuition and their budgets are not available for Education and General budget purposes.



Why does tuition keep going up? The biggest reason for tuition increasing is that costs increase every year. OSU has inflation in salaries, benefits, and costs of goods and services like any organization. The costs of many salaries are set by contracts based on market forces and benefit costs are set by the state. For example, from FY19 to FY20 salary costs are projected to increase \$8.5M, benefits costs \$10.2M, and service and supply costs \$3.4M. That's an inflation rate of about 4.1%. The other cost pressure is the need to make commitments for new services (sometimes at the request of students or staff, sometimes for compliance), repair of facilities, or future return (like hiring more fundraising staff now to generate more scholarships in the future). Those new commitments for next year are projected to be about \$10.4M. The total cost increases are about 6.0% overall.

Why can't OSU cut expenses instead of raising tuition? OSU is always looking for expense reductions and in the 2017-18 fiscal year cut \$20M in expenses from the Education and General budgets to keep tuition increases below 5%. The Board of Trustees has stated they expect tuition to increase from 2% to 5% a year, which means in years with larger cost increases (like next year) the expectation is for some expense reductions. The problem with addressing cost increases only with expense cuts is that after a while essential services have to be cut. For example, if inflationary costs are 4% every year, and OSU cut that much every year, in five years the cuts would be 22% in total and many programs and services would be gone.

How does state funding affect tuition? The state provides funding for resident undergraduate and graduate students to offset the costs of education and to keep tuition lower for those students. However, in many years the state has not increased funding enough to cover its share of cost increases (particularly for retirement and health insurance costs) and this has shifted those costs to tuition. In 2008 state funding per resident student (adjusted for local inflation) was about \$8600, it dropped to \$5200 per student in 2013, and had increased to \$7500 per student by this year.

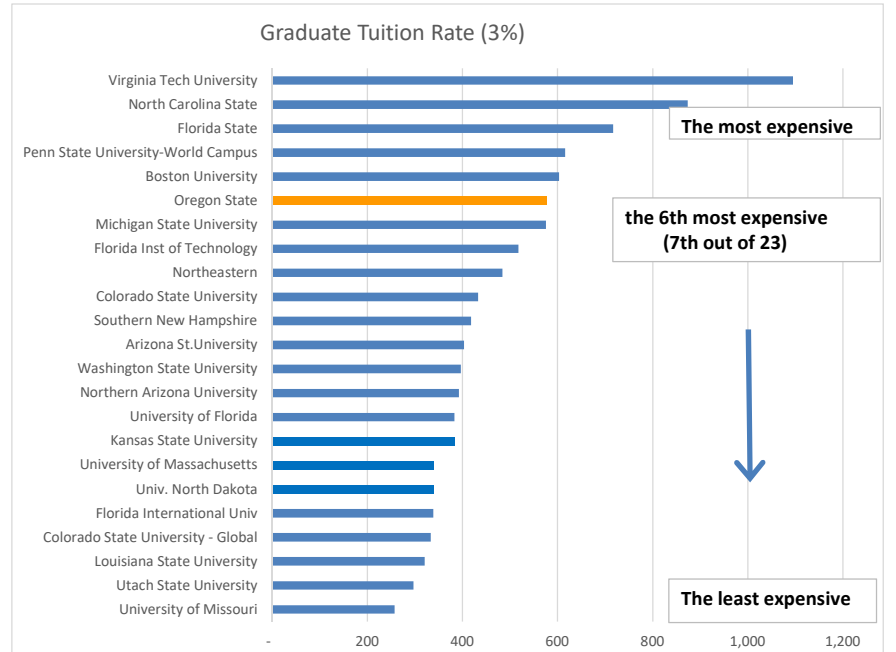
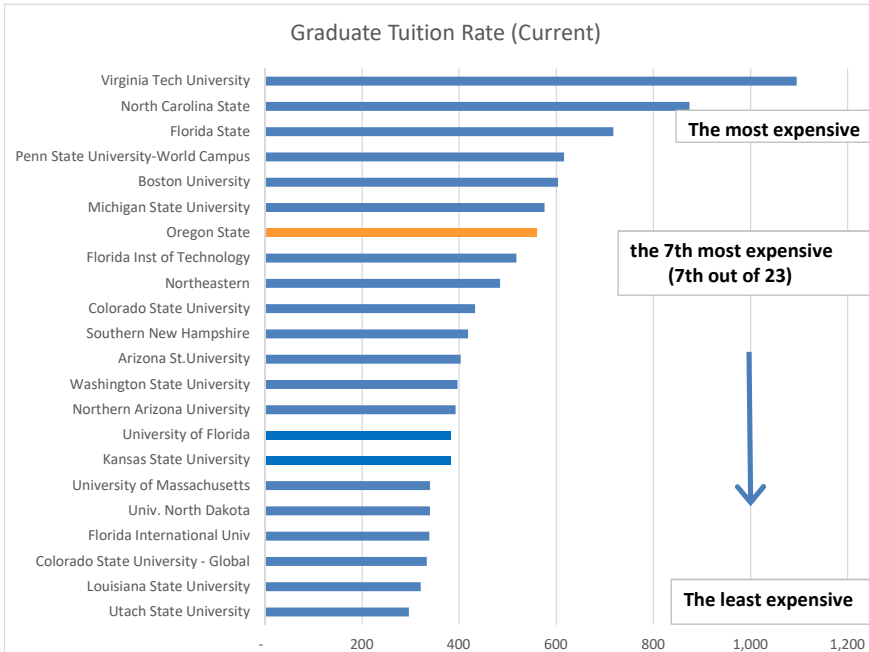
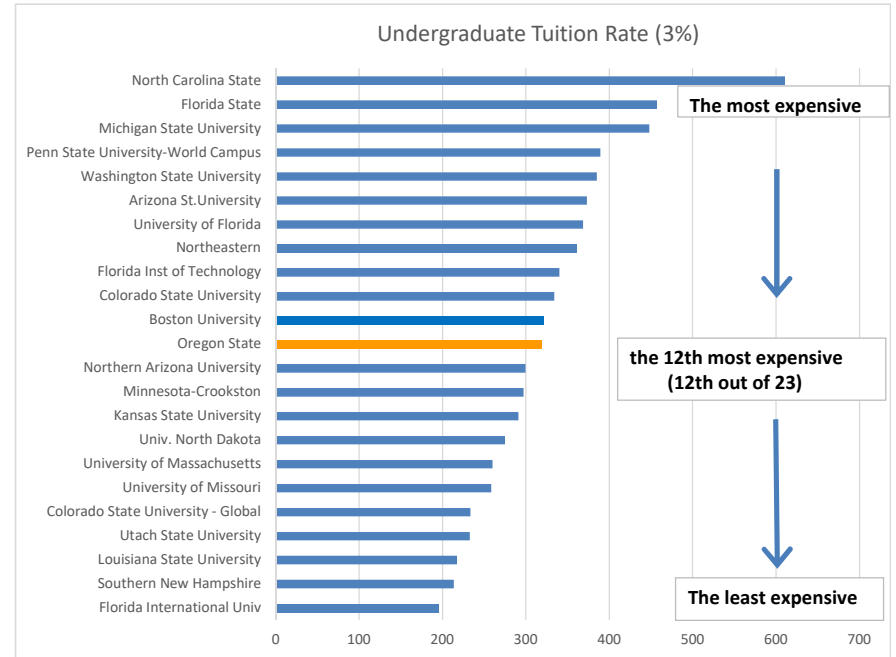
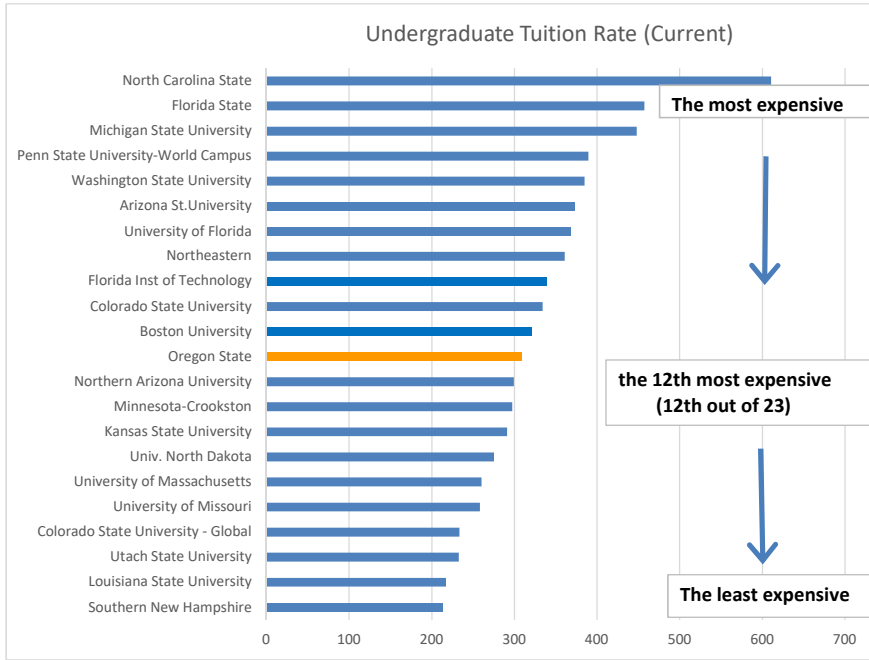
How does financial aid affect the cost of attending OSU? Gift or grant financial aid is aid that students do not have to pay back and decreases the cost of attendance. There are three parts to gift aid: university aid paid from the E&G budget (about \$41M a year), aid from governmental grants like Pell or Oregon Opportunity grants (about \$30M Federal and \$9M state), and scholarships from private gifts (about \$51M). The government aid is need-based, the university and private gift aid are both need- and merit-based. OSU also manages several Federal loan programs.

Why can't some of the money in athletics offset tuition? Most of the operating money for athletics comes from TV revenues, gifts, and ticket sales that are specifically to support OSU's participation as a member of the PAC-12.

Do tuition dollars fund new dorms and athletics facilities? All of the new athletics facilities are paid from gifts or from borrowed money that is paid back by athletics revenues. New dorms are built with borrowed money that is paid back from housing and dining charges, not from tuition. Most new academic buildings are built with gifts or money that the state borrows and pays back for the university. Major repairs of existing academic buildings are sometimes paid by tuition (either directly or by paying debt service on borrowed funds).

The University Budget Committee has been working on rate proposals for the Provost and the President. More information about tuition, tuition rates, and the work of the University Budget Committee can be found at <https://fa.oregonstate.edu/budget/university-budget-committee> . If you have questions about tuition or the university budget or if you would like to make a suggestions or comment you can send those to Sherman.Bloomer@oregonstate.edu .

Analysis in FY2020 (Original List)



FY2020 Tuition Peers Online (Extended List)

DRAFT 12/09/2019

Institutions	Undergrad	Rank
<u>North Carolina State</u>	611	1
<u>Florida State</u>	457	2
<u>Michigan State University</u>	448	3
<u>University of North Carolina--Wilmington</u>	430	4
<u>Penn State University-World Campus</u>	389	5
<u>Washington State University</u>	385	6
<u>Auburn University</u>	381	7
<u>Arizona St.University</u>	373	8
<u>Purdue Global</u>	371	9
<u>University of Florida</u>	368	10
<u>Northeastern</u>	361	11
<u>Florida Inst of Technology</u>	340	12
<u>Colorado State University</u>	334	13
<u>University of Maryland Global Campus</u>	333	14
<u>Boston University</u>	321	15
Oregon State	309	16
<u>Northern Arizona University</u>	299	17
<u>Minnesota-Crookston</u>	297	18
<u>Kansas State University</u>	291	19
<u>University of Colorado Boulder</u>	285	20
<u>Ohio State University--Columbus</u>	281	21
<u>Univ. North Dakota</u>	275	22
<u>University of Massachusetts</u>	260	23
<u>Portland State University</u>	259	24
<u>University of Missouri</u>	258	25
<u>Eastern Oregon University</u>	252	26
<u>Colorado State University - Global</u>	233	27
<u>Utah State University</u>	233	28
<u>Louisiana State University</u>	217	29
<u>Southern New Hampshire</u>	213	30
<u>University of Illinois--Chicago</u>	212	31
<u>Florida International Univ</u>	196	32

Institutions	Graduate	Rank
<u>Virginia Tech University</u>	1,095	1
<u>North Carolina State</u>	874	2
<u>Florida State</u>	717	3
<u>Auburn University</u>	633	4
<u>University of North Carolina--Wilmington</u>	625	5
<u>Penn State University-World Campus</u>	616	6
<u>Boston University</u>	603	7
<u>Michigan State University</u>	576	8
Oregon State	560	9
<u>Ohio State University--Columbus</u>	520	10
<u>Florida Inst of Technology</u>	518	11
<u>University of Illinois--Chicago</u>	500	12
<u>Northeastern</u>	484	13
<u>Eastern Oregon University</u>	467	14
<u>University of Maryland Global Campus</u>	439	15
<u>Colorado State University</u>	433	16
<u>Purdue Global</u>	420	17
<u>Southern New Hampshire</u>	418	18
<u>University of Colorado Boulder</u>	413	19
<u>Portland State University</u>	411	20
<u>Arizona St.University</u>	403	21
<u>Washington State University</u>	397	22
<u>Northern Arizona University</u>	393	23
<u>University of Florida</u>	383	24
<u>Kansas State University</u>	383	25
<u>University of Massachusetts</u>	340	26
<u>Univ. North Dakota</u>	340	27
<u>Florida International Univ</u>	339	28
<u>Colorado State University - Global</u>	333	29
<u>Louisiana State University</u>	321	30
<u>Utah State University</u>	297	31
<u>University of Missouri</u>	257	32

Note: Tuition rate is quarter-base;

If in-state and out-of-state rates differ, use out-of-state to compare.

Please be aware that the rates for graduate programs vary a lot by programs.