

FY18 Tuition and Budget Planning

Next Steps

What's changed?

- Board got an update on the tuition discussions to date and heard public testimony from a number of students. Observations from the discussions include:
 - Access and affordability, which are dependent both on price and on the amount of financial aid, are essential parts of OSU's mission
 - Decisions in one year should not jeopardize the institution's financial stability or shift costs onto next year's students and stakeholders
 - Decisions should not jeopardize the quality and reputation of programs and degrees important to OSU's students, graduates, and stakeholders
 - Balancing these issues is not easy and there are not simple answers
 - A balanced budget for FY18 will clearly require expense reductions and revenue increases.
- Review and update on the enrollment sensitivity to tuition increase model with adjustments of the revenue projections; addition of a \$5M commitment to start funding a depreciation account (to do capital renewal and repair on facilities) as ten-year financial projections show serious financial deterioration with that funding
- Proposal to identify a preferred scenario bracketed by one higher increase and one lower or no increase scenario as the basis for discussion with campus and the Board

What's the schedule?

- February 14th recommendations to Provost and campus community
- February 14th to March 14th, discussions and feedback from campus community
- February 27th final written materials to Board office for March meeting materials
- March 13th final presentation materials for Board meeting due
- March 16th and 17th, Board meetings, Finance and Administration committee reviews tuition and budget recommendations, full Board considers and approves final tuition recommendations for FY18

What's next?

- Identify the scenarios to be used (see next page)
- Identify *specific* reduction strategies to meet the necessary targets for expense cuts. General approaches like "cut administration" or "cut waste" won't be sufficient—relatively specific amounts, areas, and functions would be needed (a beginning on that follows the scenario page). These might include alternatives and need to address the range of expense reductions in the scenarios.
- Identify any revenue additions or strategies (other than tuition) that might be considered

This is hard. One of the things I remind myself of as I have bright ideas about this is an H.L. Mencken quote: "There is always a well-known solution to every human problem. Neat, plausible, and wrong." There is a path forward but it is probably not an easy one.

Working undergraduate tuition scenarios. The two major changes since the last version include an estimate of what the co-chairs budget might do to PUSF (this is highly speculative) and includes beginning funding of a depreciation fund at \$5M.6

State Change	A. Resident/Non-resident tuition: 0%/0%	B. Resident/Non-resident tuition: 3.0% + 1.0% / 1.5% + 0.5%	C. Resident/Non-resident tuition: 5.0% + 1.0%/2.0%+1.0%
Co-chair’s budget estimate +5.3% for biennium (+1.13% for FY18 over FY17) \$702.4M PUSF	Annual Gap: -\$22.6M to -\$24.6M Tuition Waivers increase: \$1.58M \$0 increase residents, \$0 non-residents	Annual Gap: -\$16.7M to -\$19.0M Tuition Waivers increase: \$2.29M + \$1.22M \$349 increase residents, \$544 non-residents	Annual Gap: -\$14.6M to -\$16.5M Tuition Waivers increase: \$2.60M +\$1.49M \$523 increase residents, \$816 non-residents
Governor’s Recommended Budget +0% for biennium (-3.1% for FY18 over FY17) \$667.3M PUSF	Annual Gap: -\$27.9M to -\$29.0M Tuition Waivers increase: \$1.58M \$0 increase residents, \$0 non-residents	Annual Gap: -\$21.1M to -\$23.3M Tuition Waivers increase: \$2.29M + \$1.22M \$349 increase residents, \$544 non-residents	Annual Gap: -\$18.9M to -\$20.8M Tuition Waivers increase: \$2.60M +\$1.49M \$523 increase residents, \$816 non-residents
Governor’s Budget with no new revenue -5% for biennium (-9.3% for FY18 over FY17) \$633.9M PUSF	Annual Gap: -\$33.7M to -\$35.7M Tuition Waivers increase: \$1.58M \$0 increase residents, \$0 non-residents	Annual Gap: -\$27.9M to -\$30.1M Tuition Waivers increase: \$2.29M + \$1.22M \$349 increase residents, \$544 non-residents	Annual Gap: -\$25.7M to -\$27.3M Tuition Waivers increase: \$2.60M +\$1.49M \$523 increase residents, \$816 non-residents

*PUSF is the Public University Support Fund, the principal part of state support to the universities

Start of list of possible actions for expense reductions (ideas NOT decisions yet):

Budget Reduction Strategies	Corvallis Education and General	Projections for FY18		
Total Savings Priority 1 to 5:	0			
Action	Estimated Saving/Revenue	Notes	Target savings or revenue amount	Priority 1 to 5 cut first, last, don't cut
Strategic Commitments:				
Foundation Staffing Increment	2,325,000	Existing commitment	25,000	
Student Success Existing Foundation Funding	2,078,053	Foundation funds run out		
College Commitments	705,750	Existing contractual		
Expanded Student Success Actions	5,000,000	Strategic commitment	500,000	
Child Care & G costs	50,000	Existing commitments		
E-procurement Staffing and Project	134,343	Existing contracts		
Athletics & G Increment	166,667	Existing commitment		
Public Safety Initiative	92,500	Existing contractual		
Sports Lottery Loss	540,000	May change in session	40,000	
Depreciation Funding, Initial Increment	5,000,000	Financial jeopardy if not		
Revenue or Fund Balance Choices				
Increased Assessment, Self-Supports	500,000	May be too late to implement	500,000	
Increased Assessment, SWPS	550,000	Aggravates SWPS issue	550,000	
Fund Balance Commitments (one time FY18)	5,000,000	About 10% of fund balance use but uneven, some have fund balance some don't	5,000,000	
Foundation Funds for projects or other?		No unrestricted sources identified yet		
Administrative Cost Reductions:				
Reduce Administrative Offices by %	85,845	% of salaries is about this	85,845	
Reduce College Dean's Office Costs by %	84,830	% of salaries is about this	84,830	
Services and Supplies, Non-personnel				
Hold growth rate for 2017 levels	500,000	Except energy, impacts travel, supplies	500,000	
Reduce spend rate through Procurement	25,000	Estimate from all funds projections	500,000	
Delay & G funded capital repair?	500,000	Specific project not identified	500,000	
Shift & G capital repair to other funds?		No other funds identified yet		
Energy Efficiencies				
Water		Facilities reviewing		
Electricity		Facilities reviewing		
Gas/heating		Facilities reviewing		
Personnel Actions				
Vacant positions open for 2 months more	3,000,000	2-6 month hold	3,000,000	
Hiring freeze all positions	466,000	\$15.4M total, 2% academic, assume only 50% of remaining not critical"	500,000	
Reduce FY18 unclassified salary increase	58,000	2.5% instead of % saves this		
Cap salary increase over salary threshold	24,500	no % increase over \$200K saves this	24,500	
Voluntary separation incentives?	37,500	50% savings per 10 positions		
Distributed cuts (across the board type)	5,000,000	base of \$300M in non-earmarked funds non-strategic, 1% is this	5,000,000	
Whole Unit or Function Elimination				
Academic programs/functions		no obvious candidates yet		
Support programs/functions		no obvious candidates yet		
Administrative programs/functions		no obvious candidates yet		
Policy or Other Changes				
Efficiencies in Delivery				
Instruction (reduce FTE)		needs study and benchmarking		
Support Services (reduce FTE)		needs study and benchmarking		
Staff support to increase instruction capacity		needs study and benchmarking		
Debt or contract negotiation?		most debt already refinanced		
Reduce central contingency funding pool	500,000	initial estimate of halving contingency	500,000	

Summary of Salary Growth and Classification by Function (more detail in the Excel sheet):

Analysis of Administrative and Other Function Salary Growth--Major Unit Expenditures by Type of Function				Corvallis E&G Budget	2012-2016
Continuous Cost Increase Drivers:	2012 Number	2016 Number	Growth Rate	Principal Classification	
HEP Inflation:			9.10%		
Corvallis Headcount Enrollment	24,977	29,576	18.4%	Administration--executive, management, compliance	
OSU Headcount Enrollment	25,741	30,592	18.8%	Business Operations--financial, human resources, safety	
Fall campus SCH	27,709	34,572	96.9%	Capital and facilities operations	
Summer SCH	2,771	3,079	21.0%	Information technology	
Graduate Student Enrollment	3,776	4,385	16.1%	Marketing and communications	
International Enrollment	1,852	2,328	79.7%	Direct academic support	
Gift, Royalty, Research	260,753	323,395	24.0%	Student services	
Full-time Employees	2,495	2,810	13.6%	Direct academic delivery	
Total Employees	1,206	1,298	15.8%	Other	
Total Expenditures (\$1,000s)	71,039	81,236	26.9%		
	2012 Salaries Inflation Adjusted	2016 Salaries	Dollar growth over inflation		Major Drivers/causes
University Administration	0,198,773	2,955,863	2,757,089	27.0%	\$1.4M due to governance changes
College Administration	5,991,623	10,262,132	4,270,509	46.8%	18.8% increase in enrollment, 24% research increase
Business Operations	6,642,402	9,209,001	2,566,599	15.4%	26.9% expenditure increase
Capital and Facilities	5,501,972	7,066,208	1,564,235	24.8%	26.9% expenditure increase
Information Technology	5,920,971	7,705,406	1,784,435	25.8%	18.8% increase in enrollment
Marketing and Communications	5,537,828	6,837,221	1,299,393	19.5%	18.8% increase in enrollment
Direct Academic Support	3,320,735	4,286,993	966,259	38.0%	18.8% increase in enrollment
Student Services	1,817,725	3,858,748	2,041,023	17.3%	18.8% increase in enrollment
Direct Academic Delivery	1,733,793	29,306,491	27,572,698	27.1%	18.8% increase in enrollment
Other	11,063	13,214,999	10,436	45.1%	15.8% increase in total employees
Totals	71,576,886	117,183,561	5,606,676	26.6%	
	2012 Salaries Inflation Adjusted	2016 Salaries	Dollar growth over inflation		Major Drivers/causes
President's Office	52,961	518,378	465,418		governance, support staff
Office of General Counsel	637,434	773,040	135,606		governance, Bend, Newport campuses
Ombuds Office	9,081	224,280	215,199		new support for employees and students
OSU Board of Trustees		10,042	10,042		required governance function
Office of Audit Services		43,799	43,799		required governance function
Government Relations	284,603	317,916	33,313		governance, support staff
Alumni Relations	30,406	18,457	11,949		alumni services
Office of Equity & Inclusion	96,595	1029,595	933,000		Title IX compliance requirements
Office of Institutional Diversity		15,188	15,188		new service to support students and employees
University Relations & Mktg	23,854	31,421	7,567		
University and Relations Mktg	5,537,828	6,837,221	1,299,393		18.8% increase in enrollment
Office of the Provost	45,654	594,218	548,564		
Provost Special Projects	12,996	37,319	24,324		18.1% increase in total people (students and employees)
Office of University Compliance		82,353	82,353		new function, governance required
Extended Campus Admin & Ops	943,740	1,435,795	492,055		96.9% growth in campus credit hours
Summer Session/Intercession	33,717	40,702	6,985		21.0% growth in summer credit hours
Enrollment Mgmt Assoc Provost	99,410	287,681	188,271		
Enrollment Management-other	289,997	3,889,558	3,599,561		18.8% increase in enrollment
Undergrad Studies Admin		9,262	9,262		
Undergraduate Studies--units	304,615	4,606,925	4,302,310		18.8% increase in enrollment
Academic Affairs	91,104	1,589,976	1,498,872		
Academic Affairs-units	124,649	1,398,529	1,273,880		13.6% increase in full-time employees
Information Services-Assoc Provost	37,067	513,372	476,305		Data security, compliance
Information Services--units	5,934,623	7,039,756	1,105,133		18.8% increase in enrollment

	2012 Salaries Inflation Adjusted	2016 Salaries	Dollar growth over inflation	Major drivers/causes
Library Administration	30,760	67,997	(62,763)	
Library--units	3,604,962	3,960,347	55,385	18.8% increase in enrollment
Graduate School Admin	1,009,897	1,438,866	428,969	16.1% increase in graduate and professional enrollment
Grad School--units	394,421	540,495	146,074	16.1% increase in graduate and professional enrollment
VP Outreach & Engagement Admin	326,758	1,163,999	37,241	
Outreach & Engagement Open Campus	78,706	141,819	63,113	
County Extension Offices	15,583	-	(15,583)	
VP for Research Admin	718,062	552,408	(65,654)	
Research Admin Units	2,671,684	3,449,674	777,990	24% increase in research, compliance, commercialization
Research CIP Administration	54,872	56,895	2,023	
Research CIP-units	321,834	378,175	56,341	24% increase in research, new centers
VP Student Affairs	612,419	768,842	143,577	
Student Affairs--Units	2,206,349	2,974,187	767,838	18.8% increase in enrollment
International Progs Admin	56,521	505,197	448,676	79.7% increase in international enrollment, director hire
International Programs--units	2,036,635	2,914,190	877,555	79.7% increase in international enrollment
	2012 Salaries Inflation Adjusted	2016 Salaries	Dollar growth over inflation	Drivers/causes
Business Centers Central Admin	6,430	245,776	179,346	added director and support person
Business Centers--units	3,696,669	3,843,640	146,971	26.9% increase in expenditures
Finance & Admin VP Office	429,997	520,002	90,005	
Associate VP of Finance & Admin	500,841	205,999	(294,842)	
Finance & Admin--Units	3,658,560	3,230,497	(428,063)	26.9% increase in expenditures
Business Affairs Admin	429,997	520,002	90,005	
Business Affairs Unit	3,658,560	3,230,497	(428,063)	26.9% increase in expenditures
Mail, Transportation, Conference	396,712	402,399	5,687	15.8% increase in full-time employees
Risk Management	178,629	334,842	156,214	governance changes and scope
Risk Mgmt Env Health & Safety	337,174	329,752	(7,422)	24.0% increase in research
Risk Mgmt Emergency Management	291,438	74,615	(216,823)	18.1% increase in people (students and employees)
Capital Planning and Facilities Ops Admin	414,911	394,985	(19,925)	
Capital Planning and Facilities Ops	3,393,515	3,790,019	396,504	26.9% increase in expenditures
Institutional Resources	34,865	176,363	141,498	
Dean's Offices	6,144,853	3,687,108	(2,457,745)	18.8% increase in enrollment, 24% research increase
Instructional Support	368,017	265,394	(102,623)	18.8% increase in enrollment
Research Support	344,006	909,235	565,229	24% increase in research funding
Admin Support Services	346,770	1,575,024	1,228,254	18.8% increase in enrollment
IT Support	986,348	1,665,650	679,302	18.8% increase in enrollment
Facilities Equipment Maintenance	108,457	76,189	(32,268)	18.8% increase in enrollment
Student Services	2,980,130	3,358,700	378,570	18.8% increase in enrollment
Academic Schools and Departments	5,240,213	20,747,000	15,506,787	18.8% increase in enrollment
TOTALS:	71,576,886	217,183,561	145,606,676	

Distribution of need for undergraduates by residency. Horizontal axis is expected family contribution (EFC—lower EFC is more financial need), left axis is headcount of students; right axis is accumulated percentage of students at the level. At a 4% resident undergraduate increase and a 2% non-resident undergraduate increase, it would take about \$3.48M in need-based aid to cover the increased annual cost for all students with an EFC less than \$6,000.

