GOALS

Provide advice to the University Budget Committee on developing a 2017-18 operating budget for the Education and General Funds that:

- Balances projected revenues and costs using realistic estimates of known cost increases and known revenue sources
- Minimizes tuition increases (or ideally reduce tuition) and includes strategies on addressing need-based aid for students with highest financial need
- Takes into account the need for strategic budget increases in areas like student success and building repairs
- Where necessary, uses expense reduction or cost control strategies that can be implemented in the coming fiscal year
- Is realistic--- does not rely on unusual or unlikely revenue or expense assumptions
- Does not shift the burden of cost growth to future students (i.e. using one-time funding to avoid tuition increases or freezing salaries and with an expectation of larger salary increases in the future to "make-up" for lost ground, etc.)

This advice would be best expressed as a set of budget scenarios for the University Budget Committee to use in developing their scenarios to show the Board of Trustees in January. These would include specific tuition assumptions , estimates of required reductions in expenses or cost controls, and specific suggestions on how to realize those reductions.

QUESTIONS OR STATEMENTS OF PHILOSOPHY/POSITION

(in no particular order)

- Costs for a given program at the university (an academic program, a support service, or an administrative function) will increase with time because of the need for salary increases, inflationary costs of goods and services, contractual goods and services, costs associated with enrollment growth (particularly for Cascades and Ecampus), and costs of new strategic priorities (student success, building repair for example) that are considered important.
- Are there are too many administrative positions? If so, what is the right number? How do we tell? (needs a definition of administrative positions and target areas)?
- Is there value to the University in participation in PAC-12 athletics?
- Can salaries for particular positions be capped? What would be the consequences on recruiting and retention?
- If there is a salary increase for employees, should some categories of employees be excluded based on either type of job or current salary?
- What is the current distribution of expenses between instructional/academic cost and other kinds of costs?
- What is the university's philosophy on institutional financial aid (financial aid paid out of university funds)? Is it ok to set aside part of the general tuition and state allocation revenues for financial aid?
- Should tuition changes be across-the-board? Or should they factor in other things like need and financial aid?
- What is an appropriate level for tuition? Given that we can't control what the state invests or pays for, how do we identify when tuition is too high or is at the right level?
- What's the right class size? There's no doubt 1:1 education is very effective for a student and that class sizes of 200 are economically effective and keep costs very low---but 100% of either end member isn't reasonable. Given that, how do we find the right balance?
- Additional strategies and resources are likely needed to support students who have historically been economically and socially disadvantaged from accessing higher education.

SPECIFIC BUDGET STRATEGIES (FOR EDUCATION AND GENERAL BUDGET)

Costs will increase in a university over time due to salary increases, inflationary costs of goods and services, contractual goods and services, costs associated with enrollment growth (particularly for Cascades and Ecampus), and costs of strategic investments (student success, building repair for example) that are considered strategically important. Balancing a budget requires adjusting existing revenues and existing expenses in order to address that cost escalation.

<u>Cost strategies:</u>

Goods and services:

- Reduce costs for purchased items through bulk contracts and purchasing agreements (up-front costs to create systems to manage contracts—in the works)
- Budget caps or reductions to things like travel, supplies, etc.
- Reduce insurance costs through risk mitigation and training (some up-front costs to do that)
- Reduce non-mandatory renovation or renewal projects
- Identify energy savings opportunities (may require up-front investments in building improvements)

Personnel:

- Streamline processes or automate processes to require fewer employees (efficiency changes—up-front costs for systems and training)
- Freeze hiring or hold vacant positions open for a set period of time
- Cap salaries for all or some employees, to the extent contracts allow
- Reduce administrative costs wherever possible (could include attrition or position reduction)
- Hire in at capped salaries or mid-range salaries compared to peers
- Reduce salaries for certain employees (contractual challenges)
- Reduce workforce by employee termination
- Lower projected salary increases or restrict those to certain categories of positions
- Design voluntary separation or retirement incentives to reduce personnel, then hold positions vacant or refill at lower rates
- Terminate programs, units, or functions and associated personnel and operations costs (many personnel termination actions have about a one-year lead time to take effect)

Others:?

<u>Revenue strategies:</u>

Tuition:

- Target enrollment increases in certain student groups or academic programs (has some costs in added instructional capacity, financial aid increases, and has a lead time usually)

- Offer new programs that bring new students to the university (this is most common right now with Ecampus courses and degrees and programs at Bend—also come with added costs for personnel)
- Raise tuition rates (many rates and many types, so could vary)
- Change or add appropriate specific charges—differential tuition, course fees, etc. in high-cost programs

Other revenues:

- Lobby the state for larger investments (we do this but in large measure the final decisions are ones we don't control)
- Maximize the amount grants pay for "indirect costs" to help pay for things like the library, utilities, facilities, etc.   These depend on the amount of grants faculty bring in and the indirect cost rate that is negotiated with the Federal Government every five years.
- Adjust student fees and other sales and services charges to appropriately reflect costs
- Make sure that university funds are invested to yield the maximum safe return (right now we are doing pretty well on this—these are stock investments, shorter term things with a high degree of safety)
- Increase overhead charges to self-support units like Housing and Dining or Athletics. These are charges that help pay some of the business and management costs of overseeing the programs (have to be careful that these don't just get passed on to students which is likely for self-support operations)
- Others:?