

Principle fixes (yes, principle not principal!):

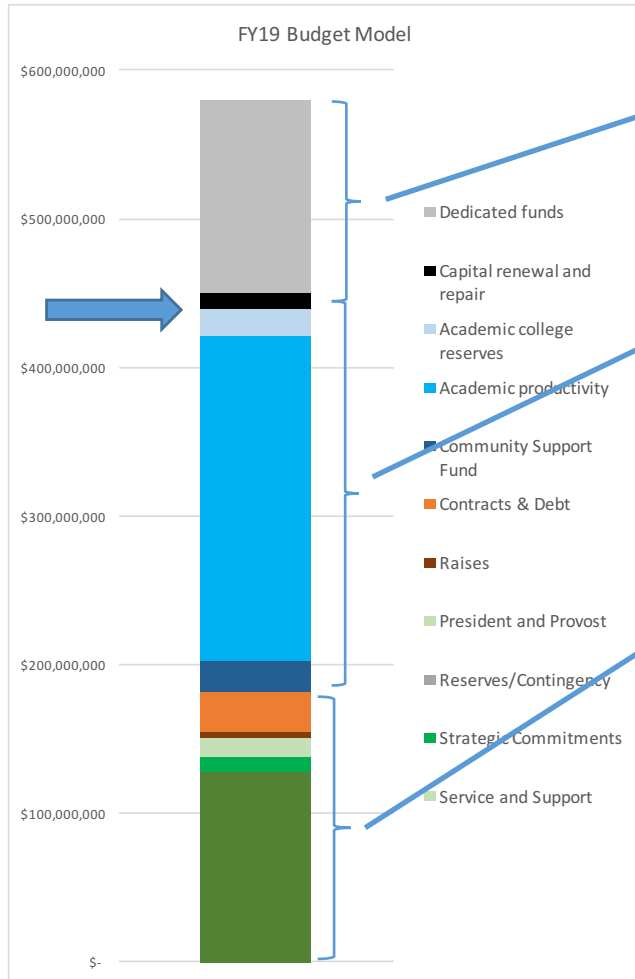
- **“Tax” issue**....move to an assessment on all funds to academic units after allocation of revenues out (in some ways will make it look like a purer RCM but not quite). This would, presumably, also address the observation that colleges have more revenue than we know about. It is also clear taking all central costs out of the 49% admin pool is too large a pressure on that pool, it needs to be more shared. This would fully tax Ecampus too, which the current version does not really.
- **Overhead charge on dedicated funds** (sales & service, earmarks, etc.). Units are trying a variety of ways to avoid this and implementation has some challenges (defining the kinds of funds affected is complex in detail, great in theory). The change above could address this one too
- **Professional schools (Vet Med and Pharmacy)** would be better managed with 100% of revenue going to the schools (perhaps with a charge for space) and then plus any necessary subsidy (Pharmacy would be close to \$0)
- **Adapting to the change in pro school for Business** particularly and Engineering to a lesser extent. Business had a lot of pre-business majors take upper-division business courses. They are now all classified as business majors which shifts a substantial number of credits hours from the non-majors to the majors upper-division pool and generally wreaks havoc.
- Are there issues with **how units are using certificates and minors**? Probably not, though there is some argument in the approval process with units “gaming” the system. I think the answer is if students get a credential they value it may not be a bad thing. Need to validate that minors and credentials are accurately assigned.
- **Interdisciplinary work**. Formal interdisciplinary programs are addressed in the model. What about smaller things---joint major professors, co-teaching, etc. How important is it to capture each of these?
- **Limits on rates of growth and decline**? A percentage change boundary of some kind, for some number of years?

Question: How do we confirm going forward with changes? UBC can review, but also an item to PCOD?

The methodology would be to take FY19 and reorganize it with appropriate adjustments, to yield similar allocations, with the expectation that the change in tax rate would shift minor resources towards CLA and Science. This might not be the case though, as the approach would fully tax Ecampus as well as other funds.

Technical updates:

- F&A recovery allocation will now go up and down (outside of the “one-time” gains like the ships) annually as the projected revenues go up and down. This is a change for admin units getting F&A funding.
- The weights need to be reviewed and updated with a particular look at PHHS and appropriate CIP codes.
- Minors and certificates counted in CORE need to be reviewed and confirmed as assigned to the appropriate level and unit.
- Honors college credit hours distributed to colleges (part of college portfolio and not necessary for recognizing Honors College effort)

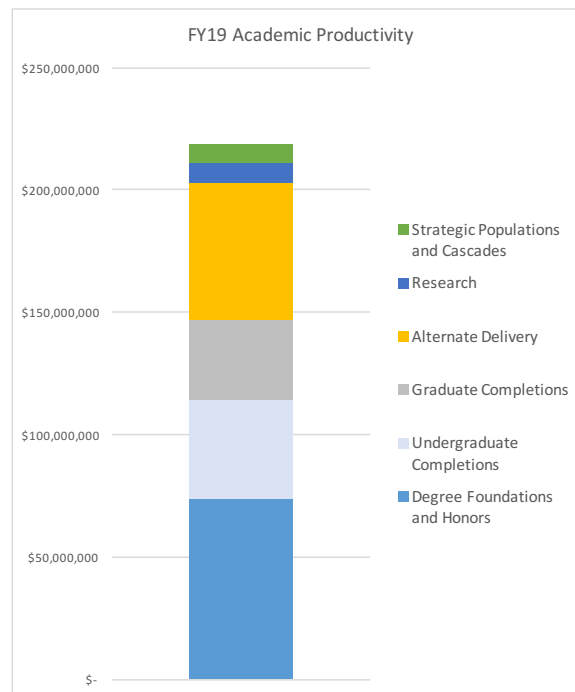


Dedicated funds (22% of total): Sales and service, earmarks, F&A recovery, fees, differential tuition over base tuition, endowment match AND capital renewal and repair funds

Academic funds (45% of total): 59% of balance (this is a decision point in model—how much to academic vs support) with three parts:

- Academic college reserves (distributed during the year)
- Academic productivity
- Community Support Fund (fixed amounts outside productivity)

Support and management (31% of total): 41% of balance; debt and contracts, raise pools, contingency and reserves, strategic commitments (non-recurring ideally), athletics, service and support units, executive functions



Strategic populations: by degrees awarded to Pell recipients, URM students, international students, 3 years total

Research: by F&A recovery, 3 years total

Alternate delivery: Ecampus and Summer, 80% of net tuition by credit hour, current year actuals

Graduate completions: 40% credit hours, 60% degrees, 3 year totals, weighted by level and discipline

Undergraduate completions: 40% credit hours, 60% degrees, 3 year totals, weighted by level and discipline

Foundations: service teaching by credit hours, 3 year totals, weighted by level not discipline

FY19 OSU-Corvallis E&G Budget Model Revision

What's the issue? Ecampus credit hour use by Corvallis students is an increasing percentage of the credit hours taught on campus (i.e. it is replacing an increasing percentage of face-to-face hours):

Credit hours, Fall-Winter-Spring terms					
	FY15	FY16	FY17	FY18	FY19
Ecampus to Corvallis students:					
Undergraduate	63,821	75,511	87,483	104,037	111,685
Graduate	1,381	1,309	1,617	2,442	3,152
Ecampus to other students:					
Undergraduate	79,875	94,531	107,468	116,235	121,405
Graduate	6,592	7,452	8,380	10,635	12,471
Total Ecampus	151,669	178,803	204,948	233,349	248,713
Growth rate		18%	15%	14%	7%
Total Corvallis campus face-to-face SCH					
Undergraduate	744,405	736,040	732,884	717,528	696,200
Graduate	131,912	133,975	132,641	133,137	131,724
Total Corvallis campus SCH	876,317	870,015	865,525	850,665	827,924
% of Corvallis student credit hours taken through Ecampus:					
Ecampus % undergraduate	7.9%	9.3%	10.7%	12.7%	13.8%
Ecampus % graduate	1.0%	1.0%	1.2%	1.8%	2.4%

How is this related to tuition? The rate of usage by non-resident students is increasing somewhat faster than use by resident students:

Ecampus Fall-Winter-Spring SCH by residency and level					
Non residents	FY15	FY16	FY17	FY18	FY19
Undergraduate Corvallis	20,230	23,476	26,368	33,625	37,661
Growth rate		16%	12%	28%	12%
Graduate Corvallis	806	643	891	1,515	1,928
Residents					
Residents	FY15	FY16	FY17	FY18	FY19
Undergraduate Corvallis	43,591	52,035	61,115	70,412	74,024
Growth rate		19%	17%	15%	5%
Graduate Corvallis	575	666	726	927	1,224

This has significant revenue consequences. Non-resident Corvallis tuition covers the cost of facilities, maintenance, and all the campus services and support. Ecampus tuition does not differentiate resident and non-resident as it is priced to a national market and did not assume there would be substantial use by on-campus students.

How different is the cost? It is much cheaper to use Ecampus for non-resident undergraduates, more expensive for resident students (because of the \$82 distance fee that covers the cost of distance operations and services), more expensive for graduate students on a research degree (because those are charged with a tuition plateau from 9 to 16 credits), but less expensive for graduate programs charged on a per credit hour basis (like the MBA—these are not listed in the table).

Incremental credit hour cost		
Resident undergraduate		Delta
Ecampus tuition	215	-12
Ecampus fee	82	-82
Campus	203	
Non-resident undergraduate		
Ecampus tuition	215	393
Ecampus fee	82	-82
Campus	608	
Resident graduate		
Ecampus tuition	456	-456
Ecampus fee	82	-82
Campus	0	
Non-resident graduate		
Ecampus tuition	456	-456
Ecampus fee	82	-82
Campus	0	

What would happen if we charged campus rates to Corvallis students taking Ecampus courses? (It depends on whether we charged the \$82/SCH distance “fee” in addition to tuition):

No distance fee	Delta/SCH	FY15	FY16	FY17	FY18	FY19
Max resident grad loss	\$ (538)	\$ (309,350)	\$ (358,308)	\$ (390,588)	\$ (498,726)	\$ (658,512)
Non resident grad loss	\$ (538)	\$ (433,628)	\$ (345,934)	\$ (479,358)	\$ (815,070)	\$ (1,037,264)
Resident undergrad loss	\$ (94)	\$ (4,097,554)	\$ (4,891,290)	\$ (5,744,810)	\$ (6,618,728)	\$ (6,958,256)
Non resident UG gain	\$ 311	\$ 6,291,530	\$ 7,301,036	\$ 8,200,448	\$ 10,457,375	\$ 11,712,571
Net change		\$ 1,450,998	\$ 1,705,504	\$ 1,585,692	\$ 2,524,851	\$ 3,058,539
Keep distance fee						
Max resident grad loss	\$ (456)	\$ (262,200)	\$ (303,696)	\$ (331,056)	\$ (422,712)	\$ (558,144)
Non resident grad loss	\$ (456)	\$ (367,536)	\$ (293,208)	\$ (406,296)	\$ (690,840)	\$ (879,168)
Resident undergrad loss	\$ (12)	\$ (523,092)	\$ (624,420)	\$ (733,380)	\$ (844,944)	\$ (888,288)
Non resident UG gain	\$ 393	\$ 7,950,390	\$ 9,226,068	\$ 10,362,624	\$ 13,214,625	\$ 14,800,773
Net change		\$ 6,797,562	\$ 8,004,744	\$ 8,891,892	\$ 11,256,129	\$ 12,475,173

Non-resident tuition is supposed to cover costs of being on the Corvallis campus. The Ecampus fee is supposed to defray the overhead costs for developing and supporting Ecampus courses and providing services and support for Ecampus students.

Question: What is a fair and appropriate tuition structure for Corvallis students resident in Corvallis (or Cascades students resident in Bend) who take Ecampus courses?

FY18 and FY19 Budget Reductions

OSU assigned \$20M of expense reductions at the beginning of FY18 and \$7.5M in January of 2019. These were distributed differentially as noted, with an emphasis on muting the impact on academic areas:

Reductions to expense growth FY18 and FY19 totals			
Area	Reductions	Ending FY19 Budget	% Expense Reduction
Central contingency, fees, contracts	(5,006,018)	55,895,540	-8.2%
Academic Colleges, units	(11,930,081)	308,853,507	-3.7%
Ecampus (online services)	(721,596)	20,219,852	-3.6%
Plant, Facilities, Risk	(1,036,816)	36,950,571	-2.8%
Student services	(1,494,574)	30,810,926	-4.9%
Research and Graduate Ed	(1,122,625)	12,712,823	-8.8%
Libraries	(425,548)	14,900,495	-2.9%
Business Operations	(2,518,157)	38,125,481	-6.6%
Management, Executive, Other	(1,929,730)	26,798,666	-7.2%
Information Technology	(1,314,854)	23,716,221	-5.5%
	(27,500,000)	568,984,082	-4.8%

These reductions have substantial consequences as over 80% of expenses are salary and benefit costs. The strategies used by academic and non-academic units can vary, but as examples, for the FY19 January reductions, the College of Business did the following:

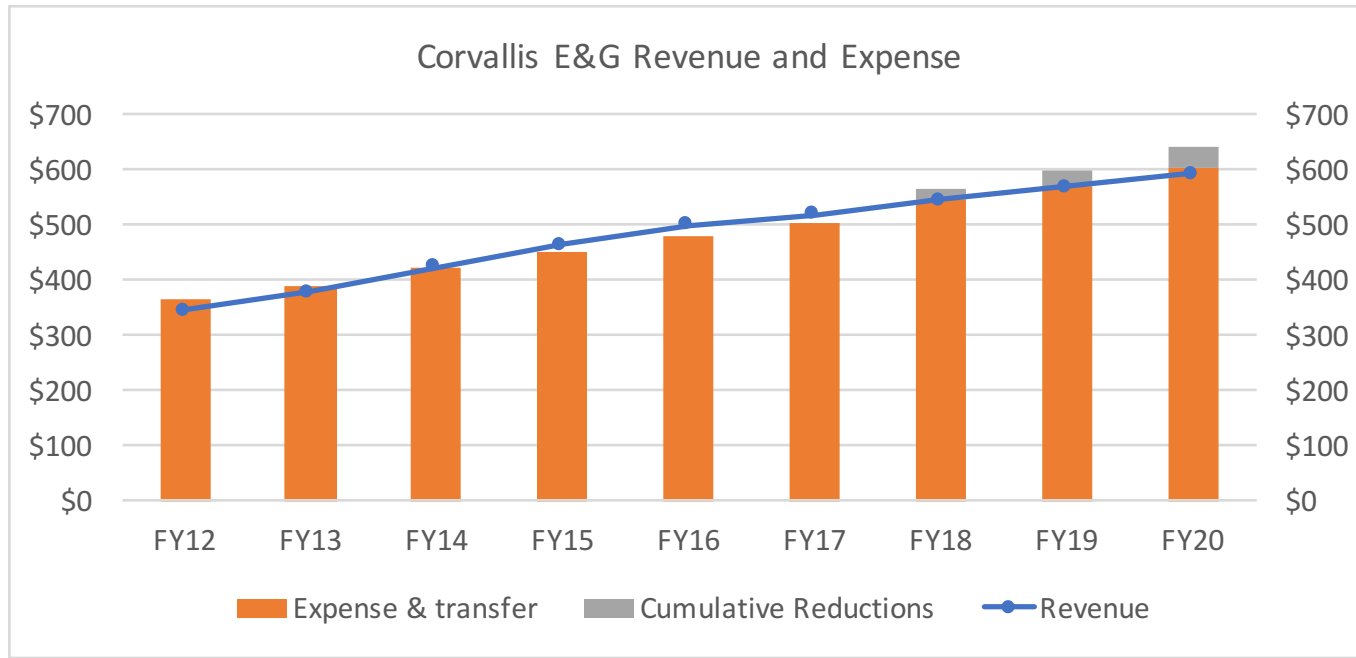
- Adjusted our scheduled offerings for spring term, eliminating 11 sections (approximately \$85,000). We cancelled honors sections, reduced the number of sections of classes where multiple sections were offered (e.g., if six scheduled, we increased class size and reduced sections to five), and eliminated any purely elective courses (e.g., sustainability law). The consequence is that we will have to manage enrollment into some of the spring classes to ensure graduating seniors get into the courses they need
- Consolidated administrative functions and eliminated some support positions. The consequence is that we are cross-training some administrative staff to pick up new functions and hiring/training student workers where feasible.
- Reduced travel budgets for the remainder of the year. The consequence is a reduction in the ability of our faculty to attend face-to-face professional development activities.
- Reduced internal supplies and services. We eliminated software packages that supported only a small number of students and delayed budgeted replacement of laptops and desktops. The consequence are that we shifted some of the software expenses to students, and increased the risk of hardware failure.

Student Affairs took a similar approach:

- The reduction is being managed by not filling a director-level position in Career Development. This position recently became vacant, and was responsible for all outreach, program development and non-college delivered career development services. The impact will be that the Career Development Center will not be able to providing programming for non-college based groups (we have career advisors embedded in the colleges where we have prioritized funding). This position also developed our student employment program which works with departments to enhance their student employment through utilization of learning outcomes and career-based competencies. Additional cuts: Cut GTA positions (2), reduce S&S in most departments by between 10-15K, reduced student labor in several departments.

The GRB's flat funding of the public universities will require additional substantial reductions, largely in personnel, as OSU's Board has indicated keeping tuition increases below 5% is a priority.

Budget Context: Corvallis expense reductions



The reductions made are to expense growth, not absolute dollar reductions. Revenues continue to grow but expense pressures (particularly for benefits) have outpaced that growth.