Agenda. UBC Meeting November 18th, 2022

1. **Budget Model (SRBM) Revision and Process – Intro & Updates (40):**

    - Update on Budget Model structural changes and workbook
        - "One OSU"
        - Ecampus Incentive
        - Space Management Incentive
        - Assessment approach.

    - Calibration
    - Service/Support/Management allocations

2. **Beginning Contribution Margin Analysis & Measures (30)**

    - Contribution margin guidelines and structure – overview of the analysis
        i. Understanding the relative financial cost or return of a college requires assigning revenue, direct costs, and indirect costs (for example a share of the library or a share of facilities).
        ii. Cost driver discussion for Administrative units

3. **Cohort Tuition (15)**

    - How many cohorts should we have?

4. **Concerns, Suggestions, Needed Information (5)**

Existing guidelines and context (Board discussion Spring 2022)

"The proposed approach would assume that:

- The Board policy of expecting tuition increases in the range of 2% to 5%, barring extreme financial change, would continue.
- 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.
- Differential tuition charges above base tuition would be increased at the rate for continuing students (unless a unit asks for no change) so that the charges are the same across all cohorts. Only base tuition charges would vary by cohort.
- The additional increase for incoming students would be monitored to make sure rates were appropriate and competitive relative to peer institutions.
- Graduate and professional tuition will be charged on a program-by-program basis consistent with program costs, peer comparisons, and market analyses.
- Summer tuition would have one rate set at resident rates for incoming students."

Composite inflation estimate for OSU-Corvallis for 2023-24

Cost Category:	Average % of total spend	Rate Change	Change due to salary increases	Total Inflation Change
Unclassified Salary & Pay	37.91%	3.50%		3.50%
Unclassified OPE	18.22%	2.38%	2.17%	4.60%
Classified Salary & Pay	7.19%	4.75%		4.75%
Classified OPE	4.63%	2.56%	2.17%	4.79%
Graduate & Student Pay	5.58%	4.00%		4.00%
Graduate Fee Remissions	3.29%	0.00%		0.00%
Graduate & Student OPE	1.04%	8.00%		8.00%
Other Salary Costs	0.81%	2.00%		2.00%
Services & Supplies, Other	21.33%	4.00%		4.00%
Total Expenditures	100.00%			3.90%

The 3.9% increase corresponds to about $25M in increased costs. If CPI inflation stays at 5%, the composite estimate would be 4.12%. If CPI drops to 3% the composite increase would be 3.69%. Costs for growth or new investments would be covered by enrollment growth or reallocation of current spending.

Starting point for 2023-24 Tuition Planning assuming a 3.9% composite inflation rate. Rate changes are generally the same for Corvallis, Cascades, and Ecampus unless otherwise noted.

Category	Change	Notes
Continuing resident and non-resident undergraduate	3.9%	Linked to estimated inflation rate
New resident and non-resident undergraduate	3.9% +?	Linked to estimated inflation possible plus a small increment
New Ecampus undergraduates	3.9% +?	Linked to estimated inflation possible plus a small increment; need to maintains Ecampus rates at appropriate competitive level with peers
Resident and Ecampus graduate	0.0%	Rates high relative to peers, avoid cost increases on grant funded positions
Non-resident graduate	3.9%	At estimated inflation rate
Professional tuition increases	3.9%	At estimated inflation rate but program decision (MAT, MFA, MCOUN, DPT at Cascades, Pharmacy, Vet Med)
Differential tuition undergraduate	3.9%	Inflationary increases in Business, Engineering, Forestry, Liberal Arts (Arts, Music, Theatre only)
Differential tuition graduate	$0 per SCH	Tied to resident graduate rates
Summer tuition	3.9%+?	Matches new student campus tuition rates
Mandatory matriculation fees	0%	No increases requests
Mandatory building debt fee	2.2% to 4.4% per quarter	$1 or $2 per year rate increase for 5 years; $2 in FY23 pending request from Student Affairs
Student Health Services-Cascades	TBD	Recommended by Cascades in consultation with ASCC
Student Health Services-Corvallis	TBD	Proposal coming from SHS; inflation typically higher than OSU inflation because of medical wage pressures
Counseling and Psychological Services-Corvallis	TBD	Proposal coming from SHS; inflation typically higher than OSU inflation because of medical wage pressures
Incidental fees--Corvallis	TBD	Recommended by ASOSU
Incidental fees--Cascades	TBD	Recommended by ASCC

Table 1: Scenario planning for undergraduate tuition recommendations (Corvallis campus)
The middle-column shows the default recommendation at about inflation, given the positive enrollment forecast and is the same for new and continuing students. The left-hand scenario decreases the increase for both categories by 1% point. The right-hand version adds a percentage point for new students. Table shows both the annual impact on individual students and on overall institutional E&G revenue. State funding above a 4% increase year-over-year (about inflation) could support some reduction in tuition rates or investments in particular student support programs. Rates are applied to resident undergraduate and non-resident undergraduate tuition rates (including Ecampus). All scenarios include an assumption of an increase of about $11M in institutional financial aid (continuing a four-year initiative to reenter the Western Undergraduate Exchange and to regain enrollment of Pell eligible resident students). Overall inflation costs for OSU Corvallis Education and General funds are estimated at about $26M. The central scenario adds about $19.6M in gross revenue due solely to the rate increase; the revenue change is in reference to that amount.

	Scenario A: **Continuing Res. 2.9%, Non-resident 2.9%** **New Resident 2.9 %, Non-resident 2.9%**	**Scenario B:** **Continuing Res. 3.9%, Non-resident 3.9%** **New Resident 3.9%, Non-resident 3.9%**	**Scenario C:** **Continuing Res. 3.9%, Non-resident 3.9%** **New Resident 4.9%, Non-resident 4.9%**
State funding at +4% FY24 over FY23	Resident undergraduate (annual): Before 2020: $302 Entered FY21: $311 Entered FY 22: $317 Entered FY23: $319 New FY24: $319 Non-res undergraduate (annual): Before 2020: $905 Entered FY21: $931 Entered FY 22: $945 Entered FY23: $954 New FY24: $954 Change in revenue: $(4.2M)	Resident undergraduate (annual): Before 2020: $407 Entered FY21: $419 Entered FY 22: $426 Entered FY23: $429 New FY24: $429 Non-res undergraduate (annual): Before 2020: $1217 Entered FY21: $1252 Entered FY 22: $1271 Entered FY23: $1283 New FY24: $1283 Change in revenue: $0M	Resident undergraduate (annual): Before 2020: $407 Entered FY21: $419 Entered FY 22: $426 Entered FY23: $429 New FY24: $539 Non-res undergraduate (annual): Before 2020: $1217 Entered FY21: $1252 Entered FY 22: $1271 Entered FY23: $1283 New FY24: $1613 Change in revenue: $2.4M
		Average resident tuition: 3.9% Average res. tuition & fees: TBD%	

Table 1: Estimated enrollment growth next three years assuming historical progression rates and similar new class sizes.

DRAFT

Enrollment change forecast 20-Oct-22

Expressed as percentages because absolute headcount will vary depending on reports used and timing.

	FY23 SCH in category	Growth FY22 to FY23	FY24 Model growth flat new class	FY25 Model	FY26 Model
Ecampus	**129,113**	**8.8%**	**9.8%**	**8.4%**	**7.3%**
Corvallis	**312,049**	**1.6%**	**3.6%**	**4.0%**	**2.4%**
Resident undergrad	181,273	-0.1%	0.8%	1.6%	0.8%
Non-res undergrad	85,839	7.8%	9.7%	8.9%	5.4%
Graduate	35,031	-3.6%	-0.1%	1.3%	2.3%
Vet Med	5,378	2.8%	0.1%	0.1%	0.1%
Pharmacy	4,528	-1.6%	-4.0%	-1.5%	-0.3%
Cascades	**16,785**	**7.9%**	**3.6%**	**3.6%**	**3.6%**
EOU	373	-35.5%	-51.2%	-51.2%	-51.2%
Portland	196	-52.9%	-100.0%	-100.0%	-100.0%
Total		**2.5%**	**3.7%**	**4.6%**	**3.7%**

Assumes new student classes are the same size as the fall, 2022 new student class.
Assumes modest progress on reversing the decline in masters students.
Beyond the contribution of international students to gains in masters enrollment, does not assume recovery of international enrollments.
Assumers average progression rates from year to year remain the same.

Table 2: Current Corvallis undergraduate tuition rates.

Annual base undergraduate tuition by cohort at 15 credits per quarter		
	FY23 Annual	Difference from previous cohort
Resident undergraduate:		
Before 2020	$ 10,425	
Entered FY21	$ 10,740	3.02%
Entered FY22	$ 10,920	1.68%
Entered FY23	$ 11,010	0.82%
New FY24	TBD	
Non-res undergraduate:		
Before 2020	$ 31,200	
Entered FY21	$ 32,100	2.88%
Entered FY22	$ 32,595	1.54%
Entered FY23	$ 32,910	0.97%
New FY24	TBD	

Contribution Margin Analysis

The purpose of the contribution margin analysis is to gain an understanding of each academic unit's net contribution to the university's Education and General finances through a comprehensive analysis of funding sources and uses. The analysis attempts to "follow each dollar" in both revenue and expense from its origin in revenue-producing activities through its expenditure for programmatic or program support activities.

Tuition and state funds are distributed to each academic unit based on student credit hours, degrees and state programmatic intent. Direct revenues are also allocated to each academic unit. Expenses are then allocated for both direct and indirect expenses. Direct expenditures are the actual amounts for a given fiscal year. Various cost drivers are used to apportion indirect expenses of service and administrative units to the academic units. Total revenues less total direct and indirect expenses provides the total contribution or cost of each academic unit.

The basis for this analysis was the former re-basing exercise used to calibrate academic program budgets. For the purposes of this analysis we started with fiscal year 2020.

The goal of the analysis is not to require every academic unit to be a net revenue contributor but is to understand the dynamics of E&G finances and to assess if units are contributing too much to, or are consuming too much from, overall university revenues. This is one approach to assess the appropriate distribution of available revenues across academic programs.

Revenue Allocation Methodologies

Revenue attribution methodologies used in the analysis are summarized in Table 1. Expense allocation methodologies are shown in Table 2. These methodologies assign revenues based on activities that generate revenues, and expenses to where costs are incurred to support those activities.

Table 1. Contribution Margin Analysis - Revenue Allocation Categories

Tuition

Student Credit Hours by student level were allocated to all departments.

Categories used:

- Undergraduate Resident
- Undergraduate Non-Resident
- Graduate Resident
- Graduate Non-Resident
- Pharm D Resident
- Pharm D Non-Resident
- Vet Med Resident
- Vet Med Non-Resident
- Summer Session
- Ecampus

Various rates based on actual tuition received in FY20 were then assigned to the SCH and total dollars were

calculated for each department.

State Funding

Public University Support Funds – Student Success and Completion Model (SSCM)

Outcomes (degrees awarded)
Student Credit Hours
Degrees to Pell & Underrepresented Minority & Veterans

Used % allocation for each college by CIP code categories provided by IAR office to the State.

Mission Differential & State

Direct Revenue

There are generalizing assumptions utilized in the analysis that impact its outcomes. On the revenue side, tuition dollars and state support for instruction are allocated based on credit hours taught with the assumption that the college providing a credit hour of instruction appropriately receives credit for generating those revenues. This assumption may not accurately reflect "why" students come to OSU. *One alternative formulation would be to assign all credit hour revenues based on major college, whose programs attract those majors and where significant expenses are made to recruit and support those majors, and "subcontract" non-major coursework to other colleges at a discounted rate per credit hour as a "transfer payment." A mixed metric (90% to the teaching college, 10% to the major college) could also be an appropriate approach.*

Expense Allocation Methodology

On the expense side, the analysis identifies actual expenditures made by academic and support units. In addition to these "direct" costs the analysis attributes support costs to colleges based on the common allocation methodologies shown in Table 2.

Table 2. Contribution Margin Analysis - Administrative Overhead Cost Allocation Methodologies

Principle: Proportionately allocate net costs, once only, to consumers or beneficiaries of services provided.

Overhead Unit (costs to be distributed)	Cost Allocation Basis (for distributing cost to academic units)	Rationale
Academic Affairs	Total Student Credit Hours	Time and effort is primarily devoted to supporting all students.
Athletics	Total majors	Subsidy is to support intercollegiate athletic programs the primary purpose of which is to enhance the collegiate experience.
Ecampus Admin	Ecampus Student credit hours	Services benefit Ecampus programs

Enrollment Management	Total Majors	Time and effort is primarily devoted to all students.
Faculty Affairs	Faculty and professional staff	Time and effort is primarily devoted to faculty matters in academic, research & professional programs.
Finance & Admin	Total E&G expenditures	Distributes costs based on utilization of services (Financial, administrative, accounting, human resources, risk management, public safety)
Graduate School Admin	Graduate majors	Services benefit graduate programs.
Office of the President	Total Expenditures	Time and effort is distributed across institutional programs, and most efforts serve the institution generally.
Office of the Provost	Total Expenditures	Time and effort is distributed across institutional programs, and most efforts serve the institution generally.
Research Admin	Research Expenditures	Services benefit research
Student Affairs	Total Majors	Time and effort is primarily devoted to all students.
University Facilities Infrastructure and Operations (UFIO)	Assignable Square Footage and Space Classification	Distributes based on occupancy, utilization and space function. Includes costs of common and shared (unassigned) space.
University Information and Technology (UIT)	50% employees, 50% student credit hours	Estimated allocation of investments in systems and staffing to support students and employees.
University Libraries	50% student credit hours, 50% faculty	Estimated allocation of investments in systems and staffing to support students and academic, research and administrative users.
University Relations	50% majors, 50% faculty & professional staff	Time and effort is primarily devoted to attracting students and improving institutional reputation.

Structure for Undergraduate Cohort Tuition Pricing

In 2020-21 OSU moved to a cohort tuition pricing based on a commitment that tuition rates for continuing students would go up by no more than the rate of local inflation but incoming students' rates could increase slightly more. The tuition applicable to a particular student would depend on the academic year (July 1 through June 30th) that the student first entered OSU. This approach provided some predictability for students but did not consider how many cohorts OSU would maintain.

OSU's 4-year graduate rate is currently about 47% (for first-time students entering in Fall 2017) and the 6-year graduation rate is about 68% (for students who entered in Fall 2015). The rates are increasing (and the goal is to improve them) but they are not unusual for a large public university. OSU also reports an 8-year graduation rate to the federal government. For the cohort entering in Fall 2011, 111 additional students (relative to the six-year cohort graduations) graduated after 8 years (comprising 3.3% of the cohort) and another 34 students or 1.0% of the cohort were still enrolled. For the cohort entering in 2012, the equivalent numbers were an additional 83 students (or 2.5%) graduated by 8 years and 36 (1.1%) were still enrolled. The number of students who graduate or remain enrolled after 6 years is a very small fraction of the total incoming cohorts.

This suggests that an appropriate approach could be to carry 6 undergraduate tuition cohorts at a time. Students would see the inflation-benchmarked increases for 6 years. If they are enrolled after six years they would be grouped with the oldest cohort of the current 6. A table might help---the 6 cohorts and the years of entry they apply to are shown below. After 6 years students move up into the next oldest cohort each year (blue-shaded cells). The newest cohort applies to students entering in that year; the oldest cohort applies to all students who entered in that year or before.

Entered in (2-6) or before (1)								
	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Before July 1, 2020	1	1	1	1	1			
July 1, 2020 to June 30, 2021	2	2	2	2	2	1		
July 1, 2021 to June 30, 2022		3	3	3	3	2	1	
July 1, 2022 to June 30, 2023			4	4	4	3	2	1
July 1, 2023 to June 30, 2024				5	5	4	3	2
July 1, 2024 to June 30, 2025					6	5	4	3
July 1, 2025 to June 30, 2026						6	5	4
July 1, 2026 to June 30, 2027							6	5
July 1, 2027 to June 30, 2028								6

This would constrain the number of cohorts, simplify the explanation of pricing, impact a small number of students (less then 4% of the original cohort), and create a small financial incentive to finish before the end of six years.

Budget Office staff offer this approach to the UBC for discussion as a possible part of tuition recommendations for 2023-24.