

University Budget Committee  
November 2, 2018

Attachments

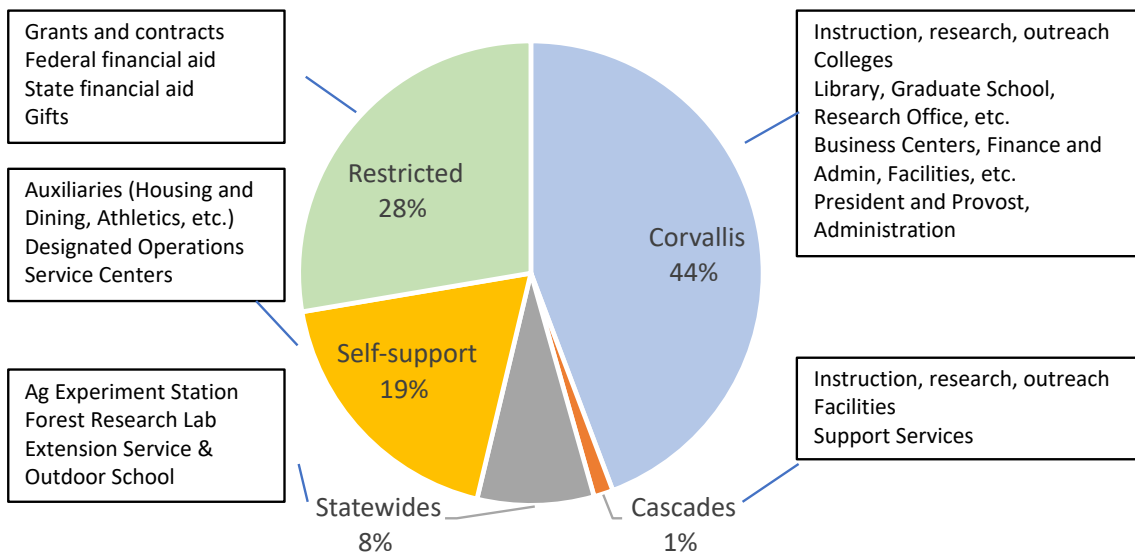
- Budget Conversations – Budget Overview
- Budget Conversations – State Funding
- Budget Conversations – Tuition and the Tuition Setting Process
- OSU Tuition Peers 2018-19

Overview of the OSU Budget

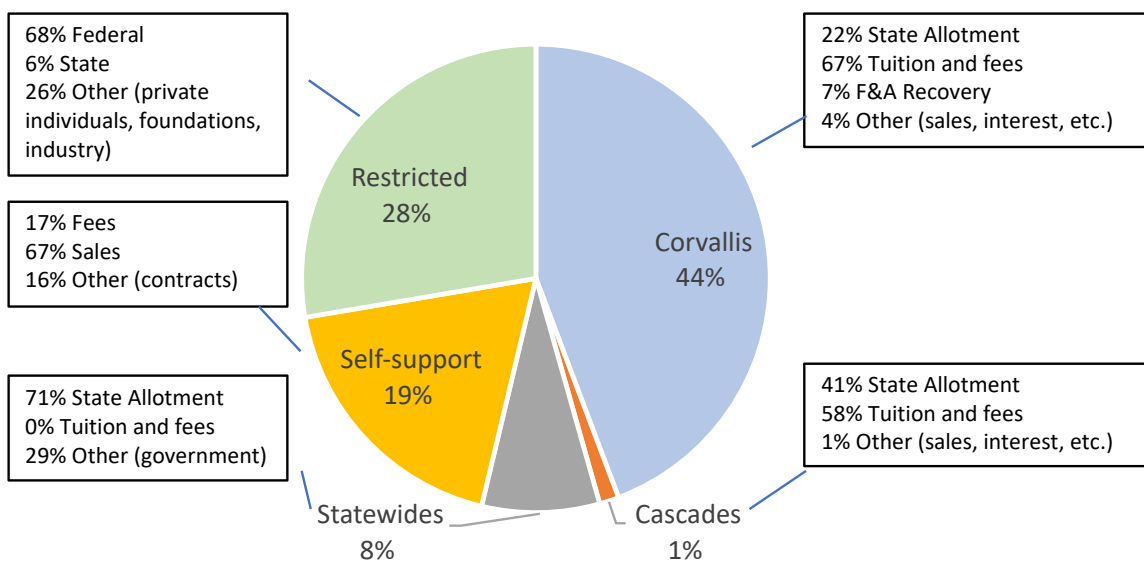
This is the first of a regular series of budget conversations that the Office of Budget and Fiscal Planning will schedule through the 2018-19 academic year. The goals of the forums are to answer questions, listen to concerns, and provide information about budgets and finance at OSU. For the first session, we put together a short summary of a couple “big picture” parts of the budget.

*The operating budget has three big buckets: (1) Education and General (Corvallis, Cascades, Statewide Public Services) Funds, (2) Restricted Funds, and (3) Self-Support Funds. The top chart shows what functions are in each fund, the bottom chart shows where the funds come from.*

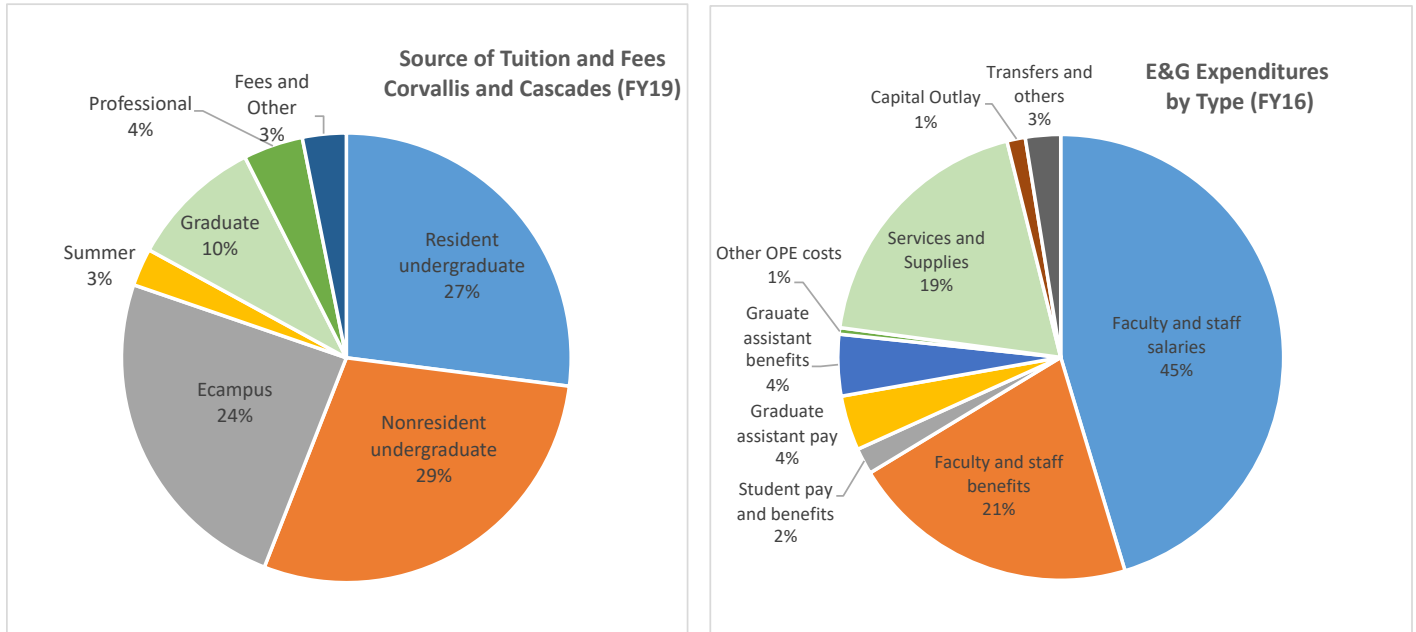
**FY19 OSU Operating Revenue Budget (\$1.306B)**



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Tuition is the biggest piece of Cascade and Corvallis E&G revenue. *Where does it come from?* The left pie chart shows that more than three-quarters of tuition is paid by undergraduate students (Ecampus is mostly undergraduate). *How is E&G revenue spent?* The right pie chart shows that more than three-quarters is for people.



If we exclude dedicated revenues (state earmarked money, student fees, sales and service revenue, and other special purpose money), *where do the general tuition and state revenues go (by unit and function)?*

**FY19 Corvallis E&G Budget**

	Tuition and General State Dollars	Share	Share with Reserves Distributed	Shares Grouped
Academic Programs	Academic Colleges	251,872,382	51.59%	54.60%
	Ecampus and Summer Session	20,222,090	4.14%	4.09%
	Centers and Institutes	9,305,859	1.91%	1.88%
	Interdisciplinary Programs	974,529	0.20%	0.20%
	University Libraries	12,450,704	2.55%	2.52%
	Research Equipment Reserve	-		
	Executive Offices	10,726,908	2.20%	2.17%
	Athletics	7,340,700	1.50%	1.48%
	Outreach and Engagement	1,559,284	0.32%	0.32%
	Student and Faculty Support	23,573,982	4.83%	4.77%
Academic Support	30,383,943	6.22%	6.14%	
Facilities and Plant Operations	23,943,250	4.90%	4.84%	
Business Services	43,098,426	8.83%	8.71%	
Provost's Passthrough Funding	3,013,719	0.62%	0.61%	
Institutional Management:				
Capital renewal, depreciation	10,000,000	2.05%	2.02%	
Debt service and leases	11,215,508	2.30%	2.27%	7.67%
Outside contracts	16,730,543	3.43%	3.38%	
Reserves for colleges	18,178,922	3.72%		
Salary increase	4,150,000	0.85%		
Other Various Reserves	(10,519,591)	-2.15%		
<b>Total:</b>	<b>488,221,158</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**Academic Support:** International Programs, Information Services, Graduate School, Research

**Student and Faculty Support:** Enrollment Management, Undergraduate Studies, Academic Affairs, Student Affairs

**Facilities and Plant Operations:** Facilities services, capital planning, energy operations

**Executive Offices:** President and Provost

**Business Operations:** Finance and Administration, Business Centers, University Relations and Marketing

**Provost's pass through:** Faculty Senate, Faculty Diversity, Graduation, others.

Comparison of OSU Undergraduate Tuition and Fees to Strategic Peers and PAC-12							
Rates are reported for 2018-19, some campuses may be subject to change							
All calculated at 15-credit hour load							
		Annual Tuition			Annual Tuition and Fees		Per term fees*
		Resident	Non-resident		Resident	Non-resident	
<b>Strategic Plan Peers</b>							
	Oregon State	9,435	28,365	Q	11,211	30,141	592
Strategic Plan Peers Tier 1	Ohio State University	9,852	29,868	S	10,726	30,742	437
	Penn State University	18,122	34,681	S	19,160	35,719	519
	Purdue University	9,208	28,010	S	9,992	28,794	392
	UC at Davis	11,442	40,434	Q	14,402	43,394	987
	University of Florida	4,477	26,754	S	6,381	28,658	952
	University of Illinois	12,036	28,606	S	15,094	31,664	1,529
	University of Wisconsin	9,273	35,523	S	10,556	36,805	641
Strategic Plan Peers, Tier 2	Colorado State University	9,426	27,327	S	11,832	29,732	1,203
	Iowa State University	7,740	22,144	S	8,988	23,392	624
	NC State University	6,535	25,878	S	9,101	28,444	1,283
	UC at Riverside	11,442	40,434	Q	13,824	42,816	794
	University of Tennessee	11,110	29,530	S	13,006	31,426	948
	Washington State University	9,720	23,956	S	11,574	25,810	927
<b>Other Comparator Institutions</b>							
Other Major Land Grant Universities	Michigan State University	15,660	40,384	S	15,727	40,451	34
	Texas A&M University	10,446	36,636	S	10,446	36,636	-
	Virginia Tech University	11,420	29,708	S	13,620	31,908	1,100
	Louisiana State University	8,047	24,731	S	11,952	28,636	1,953
	Kansas State University	9,375	24,879	S	10,263	25,767	444
	University of Arizona	11,076	34,976	S	12,466	36,366	695
	University Of Georgia	9,552	28,126	S	11,830	30,404	1,139
Other Public Pac-12 Universities	Arizona St.University	9,834	27,618	S	10,822	28,606	494
	University of Utah	8,044	28,164	S	9,269	29,390	613
	University of Colorado	10,728	35,482	S	12,532	37,286	902
	UCLA	11,442	40,434	Q	13,554	42,546	704
	UC Berkeley	11,442	40,434	S	14,184	43,176	1,371
	University of Oregon	9,765	33,345	Q	11,898	35,478	711
	University of Washington	9,537	34,917	Q	11,208	36,588	557
*less mandatory health insurance							
	Average Strategic Peers	10,030	30,242		11,895	32,107	864
	Average All Land Grants here	10,298	30,629		12,047	32,378	830
	Average Public Pac-12	10,113	34,342		11,924	36,153	765
	Median Strategic Peers	9,720	28,606		11,574	30,742	927
	Median All Land Grants here	9,786	29,068		11,831	31,084	860
	Median Public Pac-12	9,834	34,917		11,898	36,588	704

Comparison of FY19 Tuition and Fees with Peer Institutions

	Annual Tuition		Annual Tuition and Fees	
	Resident	Non- resident	Resident	Non-resident
<b>Undergraduate-per academic year, 15 credits per term</b>				
<b>Oregon State</b>	<b>9,435</b>	<b>28,365</b>	<b>11,211</b>	<b>30,141</b>
Average Strategic Peers	10,030	30,242	11,895	32,107
Average All Land Grants here	10,298	30,629	12,047	32,378
Average Public Pac-12	10,113	34,342	11,924	36,153
Median Strategic Peers	9,720	28,606	11,574	30,742
Median All Land Grants here	9,786	29,068	11,831	31,084
Median Public Pac-12	9,834	34,917	11,898	36,588

<b>Graduate-per academic year, 12 credits per term</b>				
<b>Oregon State FY16</b>	<b>12,555</b>	<b>23,787</b>	<b>14,331</b>	<b>25,563</b>
Average Strategic Peers	11,560	27,699	13,312	29,452
Average All Land Grants here	11,547	27,482	13,220	29,155
Average Public Pac-12	12,187	28,461	13,888	30,161
Median Strategic Peers	11,224	26,544	12,737	28,686
Median All Land Grants here	10,997	26,544	12,769	28,740
Median Public Pac-12	11,442	28,383	13,246	29,581

<b>Ecampus-per credit (compared on semester equivalent basis)</b>				
	Annual Undergrad Tuition		Annual Graduate tuition	
	Resident	Non-resident	Resident	Non-resident
<b>Oregon State with fee</b>	<b>297</b>	<b>297</b>	<b>538</b>	<b>538</b>
<b>OSU Semester equivalent</b>	<b>455</b>	<b>455</b>	<b>807</b>	<b>807</b>
Average	405	502	615	726
Median	440	476	575	613
Standard Deviation	132	132	160	302

Land grant strategic plan peers include Ohio State, Penn State, UC Davis, Purdue, Illinois, Wisconsin, Florida, Iowa State, Colorado State, Washington State, North Carolina State, Tennessee, UC Riverside

Other land grants include Michigan State, Texas A&M, Virginia Tech, Louisiana State, Kansas State, Arizona, Georgia

Other PAC-12 include Arizona State, Utah, Colorado, UCLA, Berkeley, Oregon, Washington

Online comparators include public top 20 programs from US News and World Report and BestSchools.org



The state provides two major types of funding to OSU—operating funds (which are part of the Education and General operations for OSU) and capital funding, usually as state-paid long term debt. We will talk about the capital funding in another session.

**Operating Funding**

FY18 OSU State Appropriations		
Category	Amount	Total HECC
Public University Support Fund	\$ 121,751,892	\$ 375,818,277
Public University State Programs	\$ 13,557,493	\$ 24,000,000
Targeted and One-time Appropriations	\$ 627,300	
Agricultural Experiment Station	\$ 33,705,320	\$ 33,705,320
OSU Extension Service	\$ 24,335,875	\$ 24,335,875
Outdoor Schools Program	\$ 12,240,000	\$ 12,240,000
Forest Research Laboratory	\$ 5,214,262	\$ 5,214,262
<b>Subtotal</b>	<b>\$ 211,432,142</b>	<b>\$ 475,313,734</b>
Sports Lottery	\$ 515,000	\$ 4,202,400
State Energy Loan Program (SELP)	\$ 1,072,584	
Cascades Grad & Research Renovations	\$ 490,000	
<b>Total</b>	<b>\$ 213,509,726</b>	<b>\$ 479,516,134</b>

The table to the left shows the operating allocations to OSU for 2018-19 as well as totals for the state allocations to all the universities. The Public University Support Fund is the largest allocation and is distributed to universities by the Student Success and Completion Model (SSCM)—more on this below.

Public university state programs are line item allocations for specific activities of interest to the state. Examples include the Institute for Natural Resources and the Oregon Climate Change Research Institute.

The funding for these is recurring, but subject to review every legislative session.

Sometimes there are one-time funds for specific projects of interest to the legislature. These can range from crops to salmon to ocean acidification. The three parts of the Statewide Public Services (Agriculture Experiment Station, Forest Research Laboratory, and Oregon Extension Service) receive the largest part of their operating funds through this state appropriation. The Extension Service also manages the funds for Oregon’s Outdoor School program, a new initiative that began in 2017-18. The state program funds, one-time funds, and Statewide Public Service funds are passed through to those particular units. There are also small allocations from the Sports Lottery (to Athletics and the Graduate School) and a loan program for energy efficiency projects (SELP).

The largest part of the operating allocation is the Public University Support fund (PUSF) which is divided between the seven public universities through the SSCM. The SSCM has three components:

- **Mission Differentiation Funding** supports aspects of the work each public university does that are unique to its location or mission. It includes allocations based on regional criteria (OSU-Cascades gets some of this, but not as much as the other regional universities), research (OSU-Corvallis is allocated some of these funds) and public service missions and activities (for example the work of the Veterinary Diagnostic Lab and support for facilities used by the Statewide Public Services. This funding is 18% of the PUSF.
- **Activity-Based Funding** distributes resources based on student credit hour (SCH) completions of Oregon residents. The model counts credit hours by lower-division, upper-division, graduate,

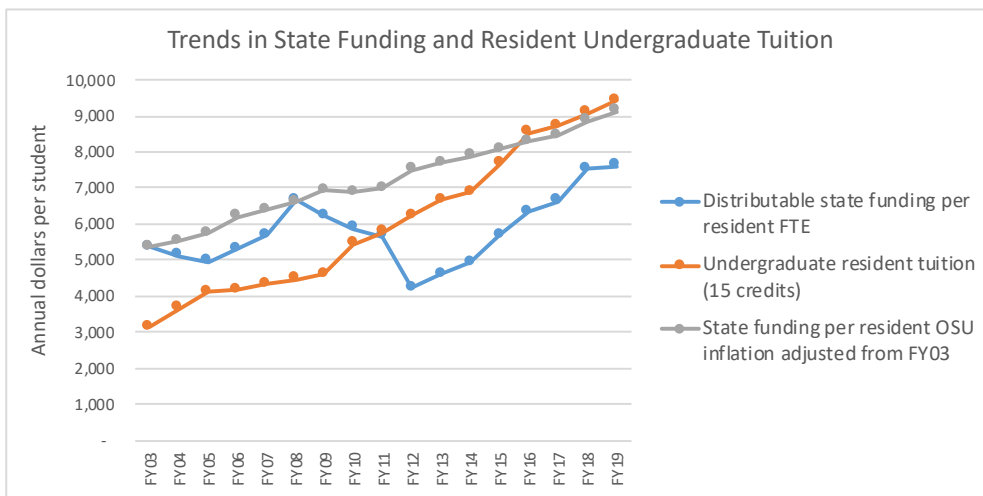
and professional courses and weights the credit hours by both level of study (lower-division vs graduate for example) and by discipline (engineering, english, etc.). 33% of the PUSF is allocated by the weighted credit hour activity. Each institution is allocated a share of the funds in proportion to their weighted credit hours.

- **Completion Funding** rewards degree and certificate completions by Oregon resident students. These are also counted and weighted by discipline and level. Completions by underrepresented students (underrepresented minority, low-income, rural and veteran status) and those in academic disciplines in high-demand and high-reward fields (STEM, Health, Bilingual Education) are provided additional weighting in the allocation formula. 49% of the PUSF (60% of the non-mission differentiation funding) is allocated this way. Each institution receives a share of the available funds in proportion to their weighted degree production.

The model uses three year averages (so FY19 is based on FY18, FY17 and FY16). The initial allocations estimate the current year (so FY19 allocations estimate actual values for FY18) and there is a settle up in fall term for the actual credit hours and degrees awarded in the prior year.

The operating budget is set in full sessions (odd years) for the next biennium. 49% of the allocated funding is distributed in the first year of the biennium and 51% in the second year. There are not usually large changes in short legislative sessions (even years) unless there is a sudden economic downturn.

**Trends**



State funding for higher education declined significantly during the recession in Oregon as in many other states. The graphs on the left show distributable (meaning with earmarked funds like state programs or statewide public services taken out) state funding per resident student in blue. The steep declines through the recession are

evident. The orange line shows annual resident undergraduate tuition (before tuition waivers or other financial aid-- the so-called list price). The grey line shows FY03 state funding adjusted for local inflation (meaning the aggregate of actual rate increases for salaries, retirement and health benefits set by the state, and CPI inflation on goods and services). The slope of the grey line is an indication of the actual rate of cost increases. Tuition rose more rapidly than the cost increase rate from FY10 through FY16, then has followed the trend of inflation. The large rate increases in tuition in FY15 and FY16 are the change from a tuition plateau structure to per credit hour tuition (the other public universities in Oregon had made this change several years before). Tuition increased significantly for students taking over 12 credits but did not increase for students taking 12 credits. State support has grown back significantly but has still not reached the inflation adjusted level it was at in 2003. Increasing costs for the state pension system and public healthcare costs will put significant pressure on state budgets for the 2019-2021 biennium.

## Tuition and the Tuition Setting Process

Tuition provides approximately 65% of Educational and General funding and more than 80% of tuition is from undergraduate instruction. Resident undergraduate, non-resident undergraduate, and Ecampus tuition are 27%, 30% and 26% of tuition revenues, respectively, that total about \$400M.

OSU is a special type of university. There are around 4,050 higher education institutions in the U.S. of which 680 are public, four-year universities. Of those, 71 are Land Grants (excluding the tribal colleges), 80 are Research 1 or R1 universities (very high research doctoral institutions), and only 34 are both Land Grants and R1 universities. OSU is one of those R1 Land Grants.

**Table 1: Tuition comparisons 2018-19**

Tuition comparisons to OSU peer institutions:		
Undergraduate (academic year)	Annual Tuition	
	Resident	Non-resident
<b>Oregon State</b>	<b>9,075</b>	<b>27,735</b>
Median Strategic Peers	9,530	28,156
Median Peer Land Grants	9,635	28,215
Median Public Pac-12	9,909	34,382
Graduate (academic year)	Annual Tuition	
	Resident	Non-resident
<b>Oregon State</b>	<b>12,339</b>	<b>22,761</b>
Median Strategic Peers	11,224	26,604
Median Peer Land Grants	10,997	26,529
Median Public Pac-12	11,220	27,837
Online (per credit, semester basis)	Credit hour cost	
	Undergrad	Graduate
<b>Oregon State</b>	<b>432</b>	<b>792</b>
Median all programs	440	627
Median peer institutions	476	606
Median other online	378	637

Tuition only sets the list price for attendance. For many students, the actual cost is reduced by awards of financial aid. Grant aid (that students do not have to pay back) comes from three sources: university aid (paid for out of tuition revenues), governmental grants (mostly Federal), and privately funded scholarships. Loan can come from government-sponsored programs or private sources.

OSU's tuition is similar to our peers among those public R1 institutions (Table 1)<sup>1</sup>. Academic year tuition is for 15 credits per term for undergraduates and 12 credits per term for graduates.

Tuition is only one part of the cost for students however. Students also have costs for fees, room and board, books, transportation, and incidentals. Every university provides a cost of attendance estimate annually (Table 2).

**Table 2: Cost of Attendance comparisons**

2017-18 Cost of Attendance estimates:		
	Resident	Non-resident
OSU	<b>26,046</b>	<b>44,707</b>
Average Strategic Peers	27,839	47,523
Average Peer Land Grants	27,680	47,697
Average Public Pac-12	28,747	51,960
Median Strategic Peers	27,036	46,834
Median Peer Land Grants	27,168	47,085
Median Public Pac-12	27,884	51,469

<sup>1</sup> Strategic peers include Ohio State, Penn State, UC Davis, Purdue, Florida, Illinois, Wisconsin, Colorado State, NC State, UC Riverside, Tennessee and Washington State. Other land grants used include Michigan State, Texas A&M, Virginia Tech, Louisiana State, Kansas State, Arizona, and Georgia. Online comparisons include Penn State, Florida, Colorado State, Washington State and a number of other online programs ranked highly by U.S. News and World report.



Tuition rates are set by the Board of Trustees. The Board's policy on the Tuition and Fee Process states that:

“Tuition and mandatory enrollment fees are established annually by the Board, generally at the Board's meeting in March or April prior to the applicable academic year. When setting tuition and fees, the Board considers a number of factors, including the desire to provide access to degree programs, create a diverse student body, maintain strong degree programs at every level, and develop and maintain the human and physical infrastructure necessary to support Oregon's educational outcome goals. The Board's commitment to maintaining the long-term quality of the university's programs for students and for the state requires a deliberate approach to managing costs, planning for inflationary increases in costs, and considering new strategic investments. The Board, based on its commitment and fiduciary duties, including managing anticipated inflationary cost increases, establishes the expectation that annual tuition rate increases will be between 2 and 5 percent. Changes outside this range will be considered when necessitated by external factors such as changes in state funding, costs of state-provided benefits, or reductions in program scope or costs. “

The policy recognizes that there are annual increases to costs largely outside the control of the institution. These include salary increases (recently 2% to 4% annually, depending on employee group), increases for health insurance and retirement plans (2% to 10% annually depending on rates for the state's retirement plan), and inflation on the costs of goods and services (about 2.5% this year). The aggregate cost increase is usually between 2% to 5% and, because tuition is over 60% of revenues, this places annual pressure on tuition rates. Those rate increases occur every year and can be offset some years, in part, by reductions in programs or personnel if the university chooses that path. Repeated cost reductions can, over time, harm the quality of the academic and other services the university provides students, faculty, and staff.

The President recommends tuition rate increases to the Board based on advice from the Tuition Advisory Council (TAC) of the University Budget Committee<sup>2</sup>. The TAC includes student government representatives, students at large, faculty, and administrators and begins their work in fall. They review the overall budget of the institution, historical tuition and fee trends, comparative data for peer institutions, the University's budget and projected costs, anticipated state appropriation levels, and advice from the Student Budget Advisory Council (a volunteer group of students from across campus). Cost projections include the inflation components noted above, costs for any expected enrollment growth (faculty and advisors for new Ecampus growth, for example) and any new initiatives or investments (such as additional money for building repairs). Over several meetings, the TAC considers these factors and makes recommendations to the Provost and President for all tuition rates (undergraduate, graduate, differential, etc.) as well as student health fees and matriculation fee. Meeting notes and materials are posted online for the university community. The recommendations are made by the end of February and the TAC then convenes a series of forums, meetings with student groups, and solicitations for public comment through March. The President shares the feedback from those discussions with the Board, including any minority reports from the TAC.

Student incidental fees (supporting things like Rec Sports, the MU, Cultural Centers, etc.) are developed by the Student Fee Committee of ASOSU and ASCC. These groups make recommendations of fee rates to the President. With the President's approval, those recommendations are forwarded to the Board for final approval.

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<sup>2</sup> This usually includes the whole University Budget Committee and was established to comply with ORS 352.102 that defines some particular aspects of the tuition advisory process.