

University Budget Committee
November 30, 2018

Attachments

- FY20 Governor's Budget Summary
- State Funding History for OSU and Resident Undergraduate Tuition
- Tuition Rate Review

November 29, 2018 Summary of Governor's 2019-21 Budget

GRB is the no new revenue budget, GRB Investment is with about \$1.9B in new revenues (if I read this right)

Total PUSF to OSU

about 6% of this goes to Cascades, so 6% of change would hit Cascades

| | PUSF Biennial Change | FY18 | FY19 | FY20 | FY21 |
|----------------|----------------------|----------------|----------------|----------------|----------------|
| GRB | \$0.0M 0% | \$ 114,798,771 | \$ 121,137,135 | \$ 116,386,659 | \$ 121,608,214 |
| | \$40.5M 5.5% | \$ 114,798,771 | \$ 121,137,135 | \$ 123,256,502 | \$ 128,296,667 |
| | \$59.0M | \$ 114,798,771 | \$ 121,137,135 | \$ 126,177,272 | \$ 131,336,873 |
| | \$73.7M 10.0% | \$ 114,798,771 | \$ 121,137,135 | \$ 128,604,002 | \$ 133,862,662 |
| GRB Investment | \$120M 16.3% | \$ 114,798,771 | \$ 121,137,135 | \$ 136,137,135 | \$ 141,693,753 |

PUSF Change Year over Year

| | PUSF Biennial Change | FY18 | FY19 | FY20 | FY21 |
|----------------|----------------------|------|--------------|----------------|--------------|
| GRB | \$0.0M 0% | | \$ 6,338,364 | \$ (4,750,476) | \$ 5,221,555 |
| | \$40.5M 5.5% | | \$ 6,338,364 | \$ 2,119,367 | \$ 5,040,165 |
| | \$59.0M | | \$ 6,338,364 | \$ 5,040,137 | \$ 5,159,601 |
| | \$73.7M 10.0% | | \$ 6,338,364 | \$ 7,466,867 | \$ 5,258,660 |
| GRB Investment | \$120M 16.3% | | \$ 6,338,364 | \$ 15,000,000 | \$ 5,556,618 |

State Programs Change Year over Year

| | PUSF Biennial Change | FY18 | FY19 | FY20 | FY21 |
|----------------|----------------------|------|------|----------------|------|
| GRB | \$0.0M 0% | | \$ - | \$ (7,100,000) | \$ - |
| | \$40.5M 5.5% | | \$ - | ? | \$ - |
| | \$59.0M | | \$ - | ? | \$ - |
| | \$73.7M 10.0% | | \$ - | ? | \$ - |
| GRB Investment | \$120M 16.3% | | \$ - | \$ 9,540,625 | \$ - |

The distribution formula of ETIC dollars if increased is unknown.

In the Governor's Recommended Budget, total FY20 loss to OSU E&G is about \$11.9M.

This does not include the losses to the SWPS

State Funding History for OSU-Corvallis and Resident Undergraduate Tuition

One of the major changes in public higher education over the last fifteen years is the large decline in state funding per student in most states. This has shifted a larger share of the cost of delivering quality degree programs to students and is a principal, though not the only, cause of tuition rates increasing dramatically over that same time span. This has certainly been true in Oregon.

Figure 1 shows the Public University Support Fund (or equivalent) allocation to OSU-Corvallis from FY03 through FY19. These dollars are mostly available for general academic operations and are the principal state dollars that support the educational mission of the university. For the years prior to the distribution of the Public University Support Fund (PUSF) through the Student Success and Completion Model (SSCM) the state allocation categories were distributed in the same bins as in the current PUSF model. The totals exclude most of what is now State Programs funding and funds for the operation of IT services for the regional campuses, a service that OSU used to provide for the state.

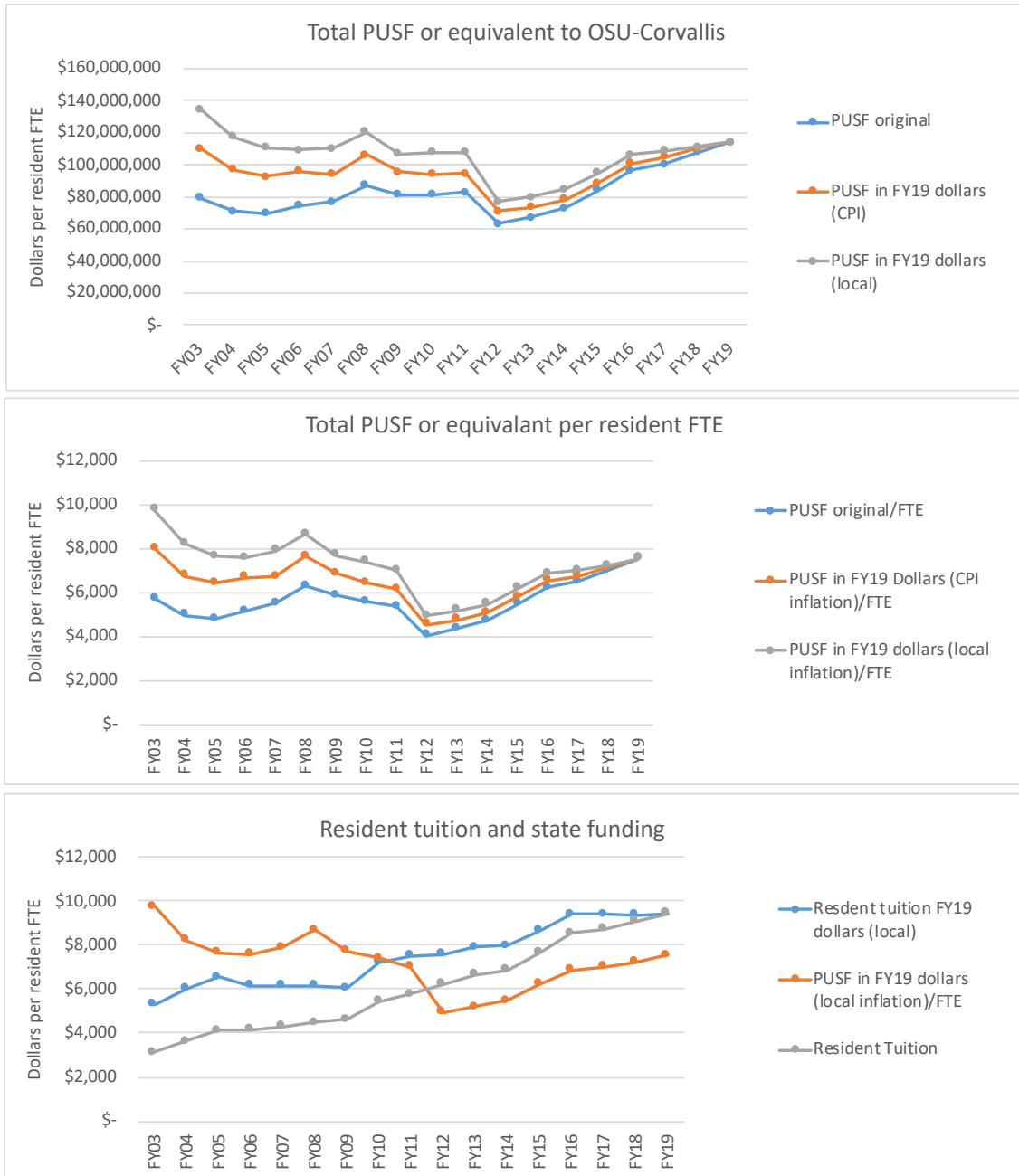
The top graph in Figure 1 shows the total allocation of PUSF dollars (blue line). However, what is important is what the actual buying power of those dollars was. To illustrate that, the graph also shows the allocation adjusted to FY19 dollars using Consumer Price Index inflation (CPI) as well as a local inflation calculation which uses actual raises (in some years constrained by the state or contractual agreements), benefit cost increases (defined by the state), and CPI inflation on other costs. The cumulative CPI inflation is about 34% from FY03 to FY19 and the cumulative local inflation is about 70%. The large increases in PERS over time contribute a great deal to the much larger actual cost increase.

The other important consideration is how many resident students those state dollars are serving. There was significant enrollment growth at OSU from FY08 to FY12 at the same time there were decreases in the actual dollars allocated from the state. The middle graph in Figure 1 shows state funding per resident student FTE (numbers from the Higher Education Coordinating Commission's annual enrollment reports). These are shown both in actual dollars and FY19 dollars adjusted for the two inflation measures.

OSU, like other universities, made up much of the loss in state funding by growth in tuition rates. The bottom graph in Figure 1 shows resident undergraduate tuition (for 45 credits a year) both in actual dollars and FY19 inflation adjusted dollars.

Total resources per resident student in FY19 dollars (tuition plus PUSF funding) were about \$15,100 in FY03, reached a low of \$12,500 in FY11, and were \$16,600 in FY18. This means the university is spending about \$1,500 more per student in FY19 than in FY03. Those additional dollars are in growth above inflation in institutional financial aid, graduate assistant support, student services staff, staff for compliance and governance costs, and additional faculty. In FY03, 35% of those resources came from students. By FY12 60% of those resources came from tuition; growth in state funding has reduced that contribution to about 56% by FY19.

Figure 1: History of Public University Support Fund¹ (or equivalent) allocation to OSU-Corvallis and resident undergraduate tuition rates shown as actual dollars, as FY19 dollars adjusted for CPI inflation, and as FY19 dollars adjusted for local inflation (accounting for actual increases in salaries, PERS and PEBB costs). Top, total PUSF or equivalent allocation to OSU-Corvallis; middle, PUSF or equivalent allocation per resident student FTE; bottom, inflation adjusted PUSF funding per FTE, resident tuition, and resident tuition in FY19 dollars.



¹ PUSF equivalent allocations were assessed assigning funds in past years to either state program categories or to PUSF categories as currently defined. Resident student FTE from HECC statistics, CPI inflation based on U.S. monthly averages calculated on an academic year basis (about 39% cumulative from FY03 to FY19), local inflation from actual raise and benefit rate increases and CPI on other costs (about 70% from FY03 to FY19).

Tuition rate discussion summary

The overall cost inflation for FY19 to FY20 is estimated to be 3.9% of FY19 spending and the cost of new commitments is about 1.8%. If every component of revenues increased 5.7%, those costs would be covered. However, some components won't grow that fast like interest and indirect cost recovery, all estimated at 2% growth. Making up that "shortfall" would require another 0.5% increase in state and tuition funding (covering \$2.6M additional) for a total of 6.2%. Every 1% that the state does not fund their share of the 5.7% increase would require an additional 0.8% increase in resident undergraduate and graduate tuition (assuming that non-resident students should not be responsible for shortfalls in state funding).

For example, the base FY20 projection currently assumes a 2% increase in state funding. That means the state is not funding 3.7% points of their "share" which could be made up by an additional 3.0% point increase in resident tuition, for a total of 9.2% total (assuming of course there is no impact on total enrollment from such a high increase).

Costs of supporting growth are estimated to be 0.8% but would be covered by new revenues from that growth. Current estimates of growth would cover an additional 0.8% points of the overall rate increase.

These are all based on Corvallis rates; Cascades percentage rate increases for undergraduate tuition would be the same.

| Rate | Current structure | Issues | Discussion starting point? |
|------------------------------|----------------------|---|----------------------------|
| Undergraduate resident | \$100 plus \$203/SCH | Rate increases over 6-7% likely yield diminishing returns | |
| Undergraduate non-resident | \$335 plus \$608/SCH | Rates increases over 3-4% seem to impact enrollment, national market, intense competition | |
| Pre-engineering differential | \$34/ SCH | Has not been raised in several years, applies to resident and non-res | |
| Engineering differential | \$51/SCH | Has not been raised in several years, applies to resident and non-res | |
| Business differential | \$20/SCH | Has not been raised in several years, applies to resident and non-res | 0% |
| Forestry differential | \$15/SCH | Has not been raised in several years, applies to resident and non-res | |
| Honors differential | \$500/quarter | Agreement was for flat rates for one more year, applies to res and non-res | 0% |
| | | | |

| | | | |
|-----------------------------------|--|--|------|
| Graduate resident | \$465/SCH to 9 SCH then flat to 16 SCH | Significantly higher than peer rates | 2.0% |
| Graduate non-resident | \$881/SCH to 9 SCH then flat to 16 SCH | Significantly lower than peer rates, lots of competition particularly in international arena | 5.0% |
| Engineering differential | \$55/SCH | Has not been raised in several years | |
| MPH resident differential | \$67/SCH | Raised in FY19, demand seems high | |
| MPH non-res differential | \$105/SCH | Raised in FY19, demand seems high | |
| Pharmacy resident | \$655/SCH to 12 credits | Demand softening, private competition | |
| Pharmacy non-resident | \$1,119/SCH to credits | National market, demand softening, private competition | |
| Vet Med resident | \$22,818 flat charge | Demand relatively constant | 4% |
| Vet Med non-resident | \$45,639 flat charge | High demand, national market | 4% |
| MBA resident | \$727/SCH | Demand softening nationally, local competition, +\$48 to align price and value closer to UO | 6.6% |
| MBA non-resident | \$1,270/SCH | Demand softening nationally, price does have status implications, +\$48, consistent and a bit less than inflation | 3.8% |
| <i>MAT resident</i> | <i>\$450/SCH</i> | <i>Cascades program, local demand</i> | |
| <i>MAT non-resident</i> | <i>\$807/SCH</i> | <i>Cascades program, national market place unclear (to SHB!)</i> | |
| <i>MFA resident</i> | <i>\$450/SCH</i> | <i>Cascade program, short term residency, high national demand</i> | |
| <i>MFA non-resident</i> | <i>\$450/SCH</i> | <i>Cascade program, short term residency, high national demand so same rate</i> | |
| <i>MS Counseling resident</i> | <i>\$450/SCH</i> | <i>Cascades program, significant need and jobs</i> | |
| <i>MS Counseling non-resident</i> | <i>\$807/SCH</i> | <i>Cascades program, significant need and jobs</i> | |
| | | | |
| Ecampus undergraduate | \$297/SCH | National market, many competitors, reasonably priced for peers, some disadvantages to quarter system | |

| | | | |
|---------------------------------|----------------------|---|-----------|
| Computer Sci differential | Additional \$190/SCH | High demand program, many emerging national competitors | |
| Developmental math | Less -\$83/SCH | Legacy program, delivered largely on campus, the \$83 is what used to be a "fee" | |
| Ecampus graduate | \$538/SCH | National market, lots of competition, at the higher end for peers | |
| Education degrees differential | Additional \$29/SCH | National market, high demand, counseling, adult and higher ed, community college leadership | |
| Public Health Certificate | Additional \$67/SCH | High national and international demand | |
| MBA and Business courses | Additional \$800/SCH | National market for online, lots of competition, demand changing for traditional MBA, +\$48 to align nationally | 6% |
| | | | |
| Summer base undergrad Corvallis | \$201/SCH | Declining enrollment, no "flat" charge, no non resident rate; add +\$2 to whatever undergraduate rate increase is to align with academic yr per credit, no increas | |
| Summer base undergrad Cascades | \$193/SCH | add +\$3 to whatever undergraduate rate increase is to align with academic yr per credit | |
| Summer base grad Corvallis | \$457/SCH | Add +\$8 to whatever graduate rate increase is to align with academic year per credit | |
| Summer base grad Corvallis | \$457/SCH | Add +\$8 to whatever graduate rate increase is to align with academic year per credit | |

*Cascades resident rate is \$7 less per SCH than Corvallis rate. Non-resident, engineering, forestry, and business rates are the same at Cascades. Graduate degrees in italics are offered only at Cascades. Summer rates currently a bit less than academic year rates—should that continue? Business and engineering differential charges are also made on Ecampus rates for those students. Developmental math is discounted because it is taught largely on campus (an historical anomaly). The Education degrees with Ecampus differentials include Community College Leadership, Adult and Higher Education, Counseling.