

UBC Meeting: November 5th 2021

UBC Materials Include:

- UBC Overview and Orientation
- OSU Tuition Strategy 2022-23

University Budget Committee

The University Budget Committee (UBC) is appointed by and is advisory to the Provost. The vice president for finance and administration, faculty leadership, student government, and others recommend members to serve on the UBC.

The UBC includes a representative cross-section of the university by function, and is the primary forum for discussions on the University's education and general (E&G) budget. Members of the UBC are charged to communicate with their colleagues and communities and to bring a broad university perspective to all discussions. The UBC contributes an independent point of view to central university budgeting and provides advice and oversight to central administration on policies and practices, including the timelines, regularity, visibility, and accuracy of its reports.

Some UBC members have standing appointments due their job responsibilities, and others will typically change on an annual basis, such as the student members and chair of the Faculty Senate Budget and Fiscal Planning Committee. The terms of other members will be staggered to assure both continuity and renewal. The expected average term of service is three academic years and appointments will generally not be renewed for consecutive three-year terms. Sherm Bloomer, Associate Vice President for Budget & Resource Planning, will serve as vice chair of the UBC and is a nonvoting member.

2021-22 University Budget Committee

- Alison Johnston – Associate Professor, School of Public Policy; OSU Faculty– ***UBC Chair***
- Sherm Bloomer – Associate Vice President, Budget and Resource Planning
- Jon Boeckstedt – Vice Provost, Enrollment Management
- Frank Chaplen – Associate Professor; Agricultural Sciences, Faculty Senate Budget & Fiscal Planning Committee Chair
- Jessica Dupont – Exec. Director, Market Development & Student Experience, Ecampus; OSU Faculty
- Lisa Gaines – Director, Institute for Natural Resources
- John Gremmels –Capital Planning & Development; Infrastructure Working Group
- Shaun Bromagem – Financial Planning Manager, College of Engineering
- Terri Libert – Director of Business Services and Analytics, OSU-Cascades
- Staci Simonich – Executive Associate Dean, College of Agricultural Sciences
- Nicole von Germeten, Professor, School of History, Philosophy, and Religion, College of Liberal Arts
- Tim Carroll – Dean, College of Business
- Muhammad Aatir Khan, ASOSU, Student Fee Committee Chair
- Elizabeth Banderas, ASCC, Vice President
- Joe Page – ASOSU Speaker of the House, Student at Large
- Aiman Khan – Student at Large
- Zackery Allen, Graduate Student
- Lilly Butler – Student at Large

Charge

The standing UBC charge:

- Make annual recommendations on tuition and mandatory enrollment fee rates to the Provost and President as part of the University's development of an annual tuition and fee proposal for the Board of Trustees in March of each academic year.

- Oversee the process of development of tuition recommendations consistent with ORS 352-102 and the policies of the University's Board of Trustees.
- Review and propose edits to policies regarding tuition, differential tuition, course fees, and areas that impact the E&G budget.
- Identify, research, and review issues of concern brought forward by committee members, or the university community, and provide recommendations to the Provost.

The Provost may provide additional specific charges in a given academic year to address current issues of budget policy or planning.

The UBC will form subcommittees and/or invite members of the university community to participate on an *ad hoc* basis as necessary in order to address specific issues. Non-UBC participants and guests will not participate in voting.

Members of the university community are welcome to observe UBC meetings. The meeting schedule will be posted on the Budget & Resource Planning web site.

Roles and Responsibilities for Tuition and Fee Recommendations

The University Budget Committee has certain roles and responsibilities in its capacity as the tuition advisory body defined in ORS 352-102.

The University Budget Committee serves as OSU's tuition advisory board as described in ORS 352.102 as amended by HB4141. The statute requires that, in recommending resident tuition and mandatory fee rates to the President each year, the university will:

- Establish (and post) a document describing the role of the advisory body (a minimum of 2 faculty, 2 administrators, 2 students from government, 2 students representing historically underrepresented groups) and its relationships to the university, president, and board.
- Provide the advisory body with training on:
 - The university budget
 - Mechanisms by which the state funds universities through HECC
 - Historical data on resident UG tuition and fees and state appropriations
- Include information for the advisory group on:
 - A plan for how the board and administration manage costs on an ongoing basis
 - A plan for how resident tuition and mandatory enrollment fees could be decreased with more state funding
- Insure that the advisory group, before making a recommendation for an increase over 5% in tuition and fees to the president, documents a discussion of:
 - The impact on students with an emphasis on historically underrepresented students and the impact on the mission of the university
 - Alternative scenarios with lesser tuition increases and the consequences
- Instruct the advisory group to:
 - Provide meaningful opportunities for student government and other students to participate in the process and deliberations of the advisory body
 - Provide a written report to the president with recommendations (including a summary of the deliberations and observations), including any minority report and the materials referenced above
 - Post all materials, descriptions, processes and data on the university website including agendas, documents, data and minutes

Tuition and the Tuition Setting Process

Net tuition and fees provide about 64% of Corvallis Educational and General funding and more than 80% of gross tuition is from undergraduate instruction. Resident undergraduate, non-resident undergraduate, and Ecampus tuition are 24%, 24% and 36% of gross tuition revenues, respectively, that total about \$453M. The University Budget Committee is the tuition advisory body for OSU as required by ORS352-102.

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.

Annual Tuition		
	Resident	Non- resident
Undergraduate-per academic year, 15 credits per term		
Oregon State	10,560	31,515
Average Strategic Peers	10,469	31,738
Average All Land Grants here	10,815	31,893
Average Public Pac-12	10,753	36,323
Median Strategic Peers	10,996	29,704
Median All Land Grants here	11,007	29,718
Median Public Pac-12	10,728	38,017
Graduate-per academic year, 12 credits per term		
Oregon State FY16	13,446	27,297
Average Strategic Peers	11,966	28,832
Average All Land Grants here	12,120	28,698
Average Public Pac-12	12,166	27,743
Median Strategic Peers	11,442	27,082
Median All Land Grants here	11,442	27,546
Median Public Pac-12	11,442	28,161
Ecampus-per credit (compared on semester equivalent basis)		
	Annual Undergrad Tuition	
	Resident	Non-resident
Oregon State quarter basis	331	331
OSU Semester equivalent	496	496
Average	399	498
Median	423	464
Standard Deviation	138	194

The median cost of attendance for resident undergraduate students at a set of OSU's peers is \$31,656.

Table 1: Tuition comparisons 2021-22

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

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. Loans can come from government-sponsored programs or private sources.

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

Table 2: Cost of Attendance comparisons

OSU Cost of Attendance Estimates 2021-22

Undergraduate, 3 quarters, full-time

	Resident	Non-resident
Tuition and Fees	\$ 12,444	\$ 33,063
Room and Board	\$ 13,860	\$ 13,860
Books and Supplies	\$ 600	\$ 600
Personal	\$ 2,178	\$ 2,178
Transportation	\$ 576	\$ 576
Total	\$ 29,658	\$ 50,277

¹ 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 2.0% in recent years, estimated at 3.5% for the coming 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 University Budget Committee². The UBC 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 UBC 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 UBC 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 UBC.

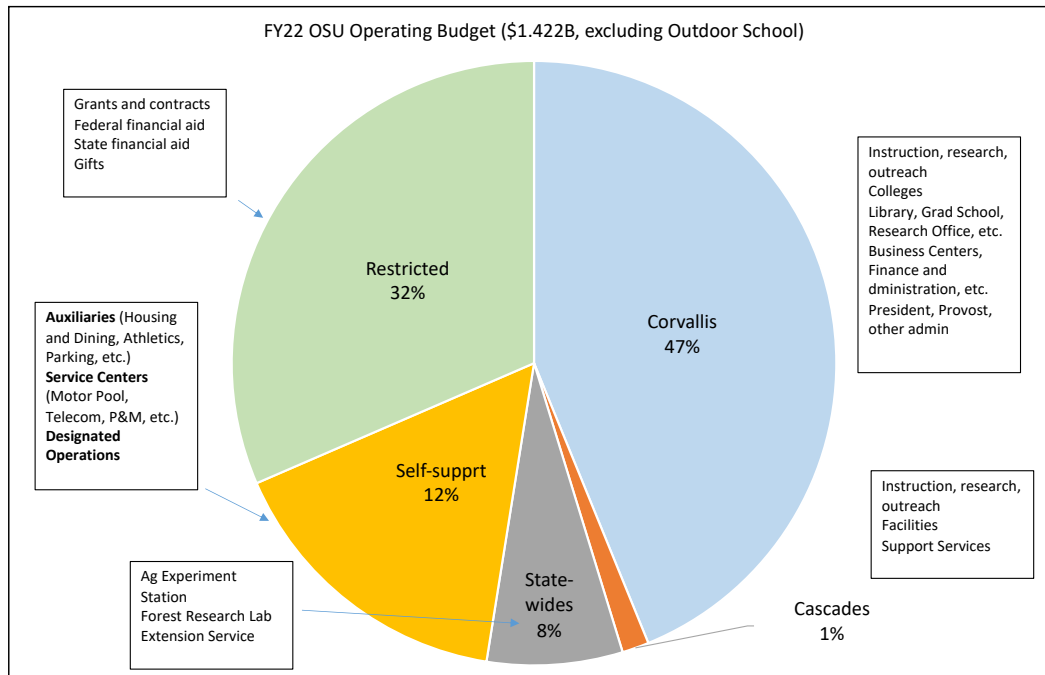
Student incidental fees (supporting things like Rec Sports, the MU, Cultural Centers, etc.) are developed by the Student Fee Committee of ASOSU and ASCC. These groups make recommendations of fee rates to ASOSU who approves and sends them to the President. With the President's approval, those recommendations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

² The whole University Budget Committee usually comprises OSU's Tuition Advisory Council and was established to comply with ORS 352.102 that defines some particular aspects of the tuition advisory process.

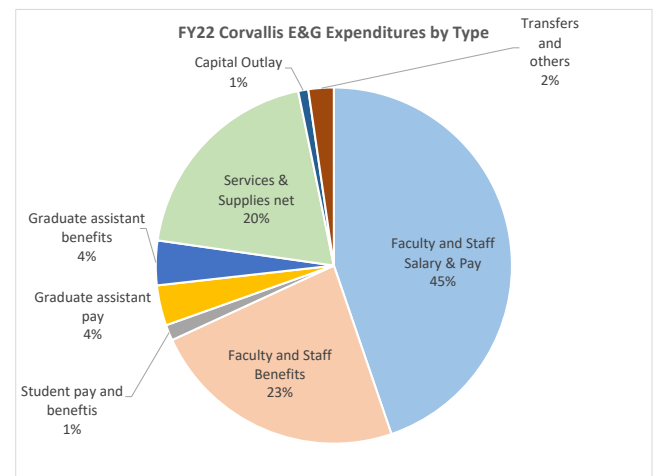
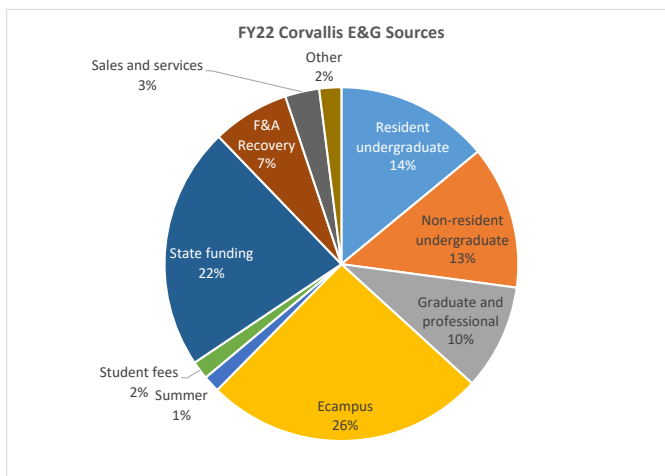
Overview of the FY22 University Budget

This presents a high-level summary of a couple of big-picture parts of OSU's budget and some of the issues that will affect 2022-23.

The operating budget has three main buckets: (1) Education and General (Corvallis, Cascades, and Statewide Public Services) Funds, (2) Restricted Funds, and (3) Self-Support Funds.



Tuition is the biggest component of Cascades and Corvallis E&G revenue. The left pie chart below shows the sources of Corvallis E&G revenue in FY22. The right pie chart shows the expense distribution projected for Corvallis E&G for FY22 ---note that 77% is related to labor expense.

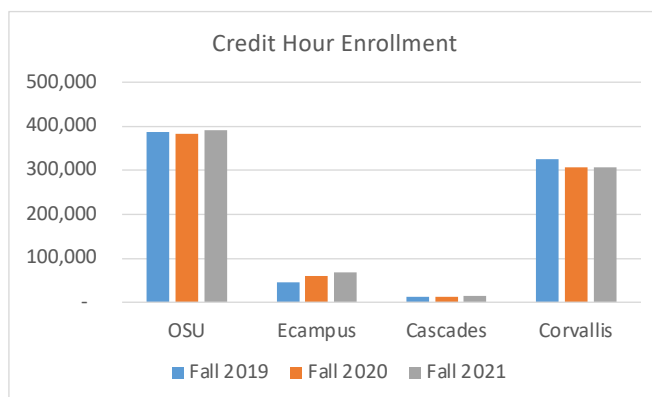


What's state funding looking like for FY23?

The Legislature provided an increase to the biennial budget (the state budgets on a two-year cycle and 2021-22 is the first year of the cycle) that will largely cover the state's share of OSU's continuing service level cost increases (our local inflation). The balance of those increases will have to be covered by other increases in revenues or in expense reductions.

The state allocates 49% of the biennial budget to universities in the first year (2021-22) and 51% in the second year (2022-23). This amounts to about a 4% increase year-over-year, so we have a good idea what next year's state funding will be, barring any major economic changes.

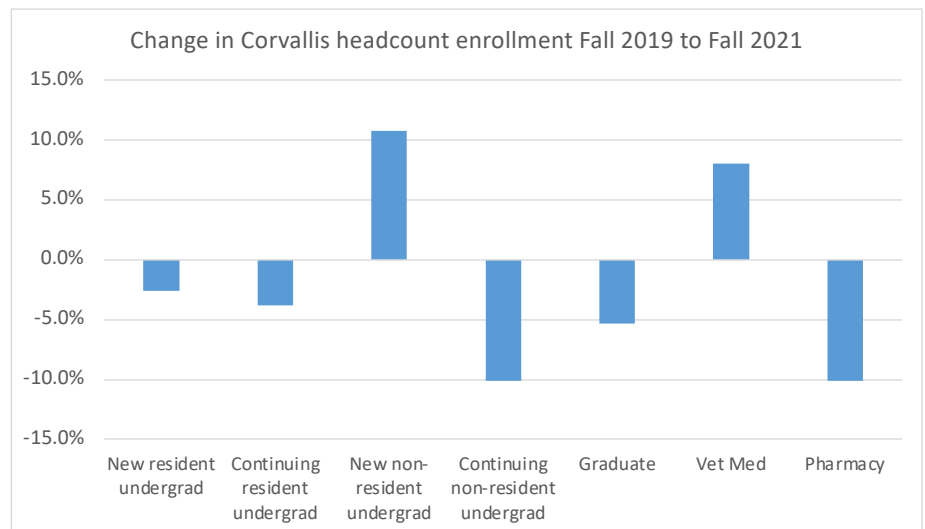
How is enrollment doing? Complicated. But important because enrollment this year shapes much of enrollment next year. OSU is actually up in headcount but the change is very different for different



student groups. The chart at the left shows the % change in headcount and SCH change this fall over last fall for Cascades, Corvallis and Ecampus. The chart below shows the % change in headcount for different student groups in Corvallis. The decrease in continuing students is a concern and hopefully will improve. The large increase in non-resident undergraduates is a result of OSU rejoining the Western Undergraduate Exchange, which discounts non-resident tuition for some programs and students.

What are the budget priorities?

- Maintain programs and employees given inflationary increases.
- Continue capital renewal and repair commitments.
- Meet mandatory cost increases like insurance.
- Comprehensive strategic planning and improvement in Information and Technology
- Investment in Enrollment Management to improve recruitment and retention.
- Make improvements in processes and systems to reduce costs of support operations.
- Identify strategies to improve and diversity faculty recruitment.



State funding mechanisms and recent history of state funding and tuition

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.

Operating Funding

FY22 State Appropriations		
Category	OSU	OPU Total (HECC)
Public University Support Fund	\$ 140,641,112	\$ 441,000,000
Public University State Programs	\$ 13,074,624	\$ 23,729,053
Targeted and One-time Appropriations	\$ 1,210,211	\$ 7,890,211
Agricultural Experiment Station	\$ 39,459,290	\$ 39,459,290
AES one-time	\$ 2,753,500	\$ 2,753,500
SWPS facilities support	\$ 2,133,380	\$ 2,133,380
OSU Extension Service	\$ 29,054,012	\$ 29,054,012
Outdoor School	\$ 24,709,364	\$ 24,709,364
Forest Research Laboratory	\$ 5,926,785	\$ 5,926,785
Subtotal	\$ 258,962,278	\$ 576,655,595
Sports Lottery	\$ 603,201	\$ 8,257,304
State Energy Loan Program (SELP)	\$ 1,053,732	\$ 6,489,363
Total	\$ 260,619,211	\$ 591,402,262

The table to the left shows the operating allocations to OSU for 2021-22 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.

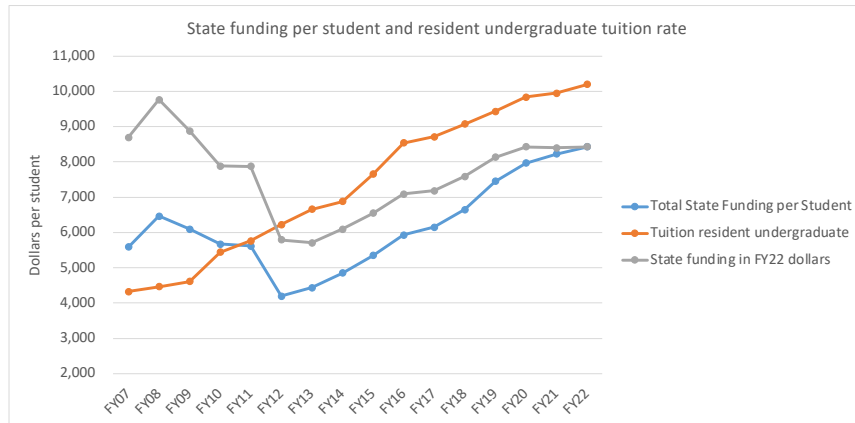
Sometimes there are one-time funds for specific projects of interest to the legislature. These can range from crops to salmon to ocean acidification. The three parts of the Statewide Public Services (Agriculture Experiment Station, Forest Research Laboratory, and Oregon Extension Service) receive the 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. 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.
- **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 49% of the PUSF (60% of the non-mission differentiation funding) is allocated this way.

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 are the left show state funding per resident student in blue (with earmarked funds like statewide public services that are not used for education taken out). 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 lines shows 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) to be equivalent to FY22 dollars. Tuition rose more rapidly than the local inflation rate from FY10 through FY16, then has largely 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). Students taking 15 credits or more saw increases in FY15 and FY16 of that size, though students taking 12 credits or less saw 0% tuition increases. 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 continue to put significant pressure on state funding available for higher education.

Capital Funding

OSU has an internal process to identify high priority capital projects through an Infrastructure Working Group that helps develop a ten-year capital forecast, which is approved by the Board of Trustees. When a project includes a request for state-paid debt support, it goes into the state budget process. The steps include:

- A submission of the project to the HECC. Projects are scored by the HECC using a rubric that looks at:
 - Compliance with HECC and institutional master plans
 - Alignment with HECC priorities
 - Cost Savings (much of this is deferred maintenance issues)
 - Life, Safety and Code compliance (a lot of this addressed deferred maintenance too)
 - Institutional priority and Impact of project on student success
 - Leveraging dollars (use of gifts, institution funds, other)
 - Strategic priorities of the state
- Based on the scoring, a set of projects from all institutions are submitted to the Governor. The Governor's budget includes recommendations for which projects to fund
- The Legislature gets an assessment of the state's borrowing capacity from Treasury and decides how to allocate the capacity. The university requests have not uncommonly been 80% to over 100% of the available capacity (and we don't get all of what we ask for)
- Universities work to facilitate the funding of their highest priority projects with legislators, stakeholders, and the other universities

Cost Management Strategies³

Over the last 11 years OSU has moved from an environment of robust enrollment growth to one with much slower or declining (for Corvallis) growth. This has led to expense reductions in each of the last three fiscal years. While we often talk about these as “budget cuts” these are really expense reductions as both revenue and expense have continued to grow, the former just more slowly than the latter.

Figure 1: Corvallis E&G revenue and expense growth (including net transfer out expenses). When we talk about budget cuts we are usually talking about slowing expense growth not reducing total overall spending year over year.

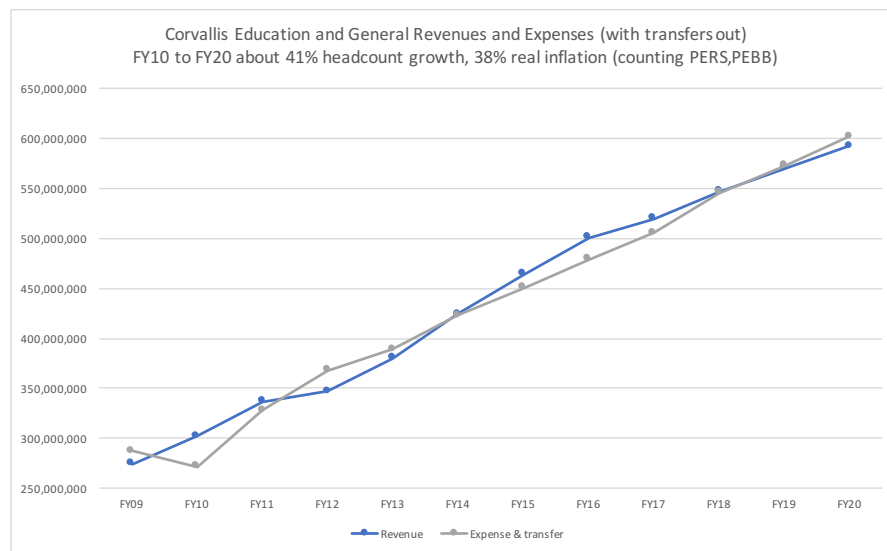
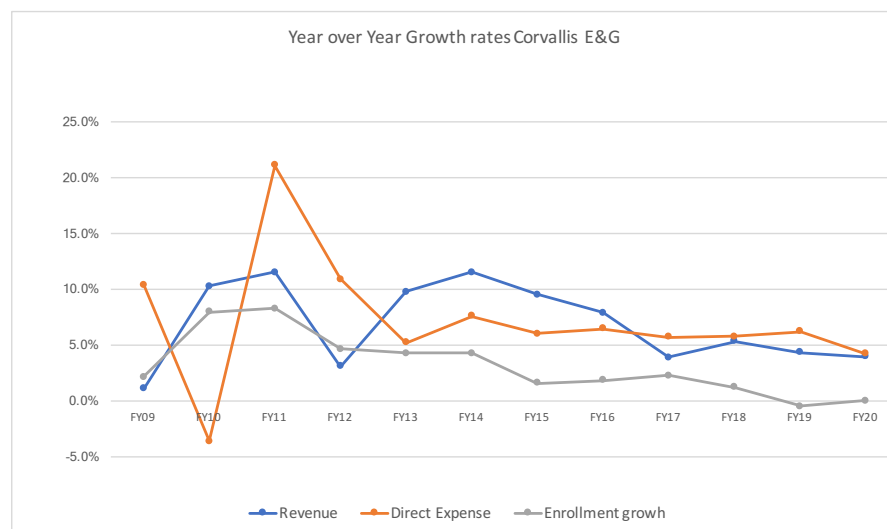


Figure 2: The year-over-year rates of growth of revenue, expense (here direct expense without transfers), and enrollment illustrate the pressures on the net budget position. The odd large rate increases in expenses in FY11 and FY12 were due to spending Federal stimulus funds.



³ We have not updated this section given the very unusual cost and revenue structures in 2020-21. We will update it for next year's version.

The practical consequences of these trends for the Corvallis E&G budget have been expense reductions of about \$20M (\$7.6M from central resources) in 2017-18, \$7.5M in 2018-19 (taken as a mid-year rescission), and about \$14M in 2019-2020. In 2020-21, units started the year managing a planned reduction in expenses of about \$49M because of the pandemic.

The university monitors and reviews costs both at the Board level and through university leadership at all levels. Those include:

Board of Trustees:

- Annual approval of budgets for all funds, which requires a review of overall expenditures, projected fund balance, and strategies for cost reductions or investments of new state funding
- Quarterly management reports assessing trajectories of actual revenues and expenses to budget, with an assessment of the reasons for changes outside set tolerances
- Review of a ten-year business forecast every two years to consider long-term trajectories for tuition, enrollments, expenditures, other revenues, and financial metrics.
- Periodic assessment of PERS liabilities and alternatives to the increasing costs of those liabilities.
- Tuition policy that states the board expects that “annual tuition rate increases will be between 2 and 5 percent” which acknowledges expense reduction will be a regular, necessary part of budget planning, as state funding and enrollment growth often will not keep up with inflationary cost growth at those tuition increases.

University Leadership:

- Maintain an annual budget development process that looks three years out and assesses relative needs and priorities across units.
- Manage a system with highly distributed budget authority (deans and senior leaders have a budget with the charge to carry out the unit mission within the allocated resources. Units have significant authority over how to use those funds).
- Periodically assess cost budget growth rates by categories and units over five-year spans to guide decisions about budget reductions or new investments
- Participating in cost benchmarking with ABC Insights, a cost benchmarking consortium that provides comparisons of costs for various kinds of services (payroll, IT, etc.) for peer institutions including the University of Oregon, University of Texas, University of North Carolina and others.
- Assess salary levels relative to peer institutions for most professional faculty (classification-compensation structure) and leadership positions to make sure salaries are appropriate to market and job.
- Implemented \$20M of expense reductions for the 2018-19 academic year and \$7.2M in January of 2019 to adjust to declining enrollments and increased PERS costs. FY20 reductions will total about \$14M in strategic allocations, services and supplies spending, and personnel expenses. FY21 reductions included planning for about \$49M in Corvallis E&G reductions.
- In these reductions have distributed a larger proportion of reductions (as a percent of budget) to service and administrative units.
- Periodically identify areas for cost-reduction strategies (BennyBuy eprocurement, BennyHire process revision for hiring students, copier contracts, efficacy of custodial contracts, utilities strategies, insurance options, etc.)
- Are working to initiate a zero-based budget review of expenses for service, support and management areas as well as productivity benchmarks for academic units.

Employee Benefit Costs

The benefits paid to employees are referred to at OSU as “Other Payroll Expenses” or OPE. They include health insurance, retirement, social security and Medicare, as well as costs for unemployment and other benefits. The tables below shows the components of those benefits (top table), how they translate to a percentage of salary (middle table), and the distribution of employees across the various retirement plans.

The state requires that OSU use the state’s retirement plans (administered by the Public Employees Retirement System or PERS) and health plans (administered by the Public Employees Benefit Board or PEBB). You may here PERS used as shorthand for retirement costs or programs and PEBB used as shorthand for health costs or programs. The rates OSU is charged for both are set by the respective state programs.

Components of Benefits Costs at OSU				
	FY20	FY21	FY22	FY23
% of Salary Components				
Social Security	6.20%	6.20%	6.20%	6.20%
Medicare	1.45%	1.45%	1.45%	1.45%
Unemployment	0.10%	0.10%	0.10%	0.10%
SAIF	0.31%	0.31%	0.31%	0.31%
Average Retirement	25.22%	25.05%	26.46%	26.46%
Total	33.28%	33.11%	34.52%	34.52%
Fixed charge components				
Health insurance	17,126.00	17,935.00	18,450.00	19,188.00
Total	17,126.00	17,935.00	18,450.00	19,188.00
Illustration of Costs at Different Salary Levels				
	FY20	FY21	FY22	FY22
Annual 12-month Salary	Benefits as %:	Benefits as %:	Benefits as %:	Benefits as %:
\$30,000	90.4%	92.9%	96.0%	98.5%
\$47,000	69.7%	71.3%	73.8%	75.3%
\$82,000	54.2%	55.0%	57.0%	57.9%
\$110,000	48.8%	49.4%	51.3%	52.0%
	Benefits as \$:	Benefits as \$:	Benefits as \$:	Benefits as \$:
\$30,000	\$27,110	\$27,868	\$28,806	\$29,544
\$47,000	\$32,768	\$33,497	\$34,674	\$35,412
\$82,000	\$44,416	\$45,085	\$46,756	\$47,494
\$110,000	\$53,734	\$54,356	\$56,422	\$57,160

	Benefit Increase year over year		
Annual salary	FY20 to FY21	FY21 to FY22	FY22 to FY23
\$30,000	2.8%	3.4%	2.6%
\$47,000	2.2%	3.5%	2.1%
\$82,000	1.5%	3.7%	1.6%
\$110,000	1.2%	3.8%	1.3%

Year-over-year inflation on OSU's costs are different than the inflation that is represented by indices like the Consumer Price Index (CPI). The CPI measures cost changes in a basket of goods and services. OSU's costs are driven largely by cost increases for salaries (many of them set in negotiated contracts) and the costs of benefits for retirement and health insurance (which are set by the State of Oregon). The calculation of the overall inflation rate for the next year is based on a weighted average of the increases in different expense categories. The current estimate for 2022-23 is:

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Scenario planning for tuition recommendations

Tuition Scenario Table (Corvallis campus): The UBC has usually presented recommendations as a set of scenarios centered around an inflation-based increase for continuing undergraduate students. Precise percentage increases in each box are different than the nominal increases in per credit hour charges at the top because there is a fixed zero-credit hour charge that is part of undergraduate tuition and rates are rounded to the nearest whole dollar. The goal is to show both the impact on individual students and on overall institutional balances in a succinct format. **This version is a starting point for discussion not a recommendation. The specific numbers will be filled in and updated as the projection on the next page is refined.** The central scenario set at estimated overall inflationary increase. Rates are applied to resident undergraduate (including Ecampus) and non-resident undergraduate tuition rates.

	Scenario A: Continuing Resident 2.0%, Non-resident 2.0% New Resident 4.0%, Non-resident 40%	Scenario B: Continuing Resident 3.3%, Non-resident 3.3% New Resident 4.0%, Non-resident 40%	Scenario C: Continuing Resident 4.0%, Non-resident 4.0% New Resident 4.0%, Non-resident 40%
State funding at current levels	Resident undergraduate: 2.0% Non-res undergraduate: 2.0% Financial aid increase Surplus or (deficit): \$ annual increase residents \$ annual increase non-res	Resident undergraduate: 3.05% Non-res undergraduate: 3.01% Financial aid increase Surplus or (deficit): \$ annual increase residents \$ annual increase non-res	Resident undergraduate: 4.00% Non-res undergraduate: 4.00% Financial aid increase Surplus or (deficit): \$ annual increase residents \$ annual increase non-res
	Base resident tuition & fees: % Average res. tuition & fees: %	Base resident tuition & fees: % Average res. tuition & fees: %	Base resident tuition & fees: % Average res. tuition & fees: %

- Graduate tuition, professional tuition, differential tuition and Ecampus at rates discussed elsewhere. Cost estimates include ~3.3% overall inflation this year because of modest increases in benefit costs ; costs of growth (about 1% for modest growth in Ecampus and post-pandemic adjustments in Corvallis); and new commitments (this year largely for capital renewal and repair, insurance, debt service, investments in information technology, student affairs and enrollment management).

Corvallis Education and General Budget Scenarios for 2022-23								11/1/21
Projected Costs	571,079,874	619,131,658	619,131,658	-	619,131,658			652,728,075
Projected Revenues	605,294,096	623,286,604	623,310,725	-	623,310,725			654,599,429
Balance	34,214,222	4,154,946	4,179,067	-	4,179,067			1,871,353
Balance as percentage								0.3%
	FY21 Actuals	FY22 Board Budget	FY22 Q1	FY22 Q2	FY22 Model Base	Inflation/ Rate Change	Growth	FY23 Preliminary Projection
Cost Projections:								
Unclassified Salary & Pay	220,731,135	233,153,004	233,153,004		233,153,004	3.50%	1.00%	243,726,493
Unclassified OPE	108,982,387	115,787,233	115,787,233		115,787,233	2.52%	1.00%	119,892,122
Classified Salary & Pay	41,770,657	43,905,123	43,905,123		43,905,123	4.75%	0.00%	45,990,616
Classified OPE	27,058,477	28,879,954	28,879,954		28,879,954	4.42%	0.00%	30,156,448
Graduate & Student Pay	29,524,034	31,490,664	31,490,664		31,490,664	2.00%	0.00%	32,120,477
Graduate Fee Remissions	16,923,475	19,009,859	19,009,859		19,009,859	2.00%	0.00%	19,390,056
Graduate & Student OPE	5,196,298	6,024,789	6,024,789		6,024,789	4.00%	0.00%	6,265,781
Other Salary Costs ⁵	(116)				-	2.00%	0.00%	-
Services & Supplies	138,998,389	145,982,683	145,982,683		145,982,683	3.50%	1.00%	152,602,998
Capital Outlay	5,492,833	5,649,054	5,649,054		5,649,054	3.20%	0.00%	5,829,824
Student Aid	2,003,047	2,106,002	2,106,002		2,106,002	2.00%	0.00%	2,148,122
Service Credits	(22,767,248)	(25,097,114)	(25,097,114)		(25,097,114)	3.50%	1.00%	(26,235,268)
Total Expenditures	573,913,368	606,891,251	606,891,251	-	606,891,251			631,887,668
Transfers In	(16,667,920)	(3,004,240)	(3,004,240)		(3,004,240)	0.00%	0.00%	(3,004,240)
Transfers Out	13,834,426	15,244,647	15,244,647		15,244,647	5.00%	0.00%	16,006,879
Net transfers:	(2,833,494)	12,240,407	12,240,407		12,240,407			12,240,407
Net expenditures:	571,079,874	619,131,658	619,131,658	-	619,131,658			644,128,075
	145,843,054							
Revenue Projections:								
State Enrollment Funding	129,013,025	130,332,910	131,370,518		131,370,518	4.08%	0.00%	136,732,580
State "Distributable Base" Funding	1,300,000	-	-		-	4.08%	0.00%	-
State "Targeted Base" Funding	3,420,516	-	-		-	0.00%	0.00%	-
State Program Funding	3,284,510	3,641,000	7,435,450		7,435,450	4.08%	0.00%	7,738,816
State ETIC Funding	7,625,003	7,800,000	7,762,094		7,762,094	4.08%	0.00%	8,078,787
State one-time funding	1,200,000	-	1,066,552		1,066,552	0.00%	0.00%	1,066,552
Other Revenues								
F&A Recovery	42,200,000	43,000,000	44,521,851		44,521,851	0.00%	2.00%	45,412,288
BUC/Disallowance		2,133,380	-		-	0.00%	2.00%	-
Sales and Service	20,154,175	19,906,581	20,404,019		20,404,019	0.00%	2.00%	20,812,099
Interest	7,600,000	8,772,000	8,858,000		8,858,000	0.00%	5.00%	9,300,900
Other Funding	6,380,519	3,009,866	3,372,348		3,372,348	0.00%	2.00%	3,439,795
SELP	1,072,584	1,072,584	1,072,584		1,072,584	0.00%	0.00%	1,072,584
Resource and Student Fees	7,506,603	10,658,439	8,528,592		8,528,592	0.50%	1.20%	8,674,090
Tuition:								
Subtotal Res Undergraduate	108,016,125	109,764,984	108,785,003		108,785,003	3.30%	0.30%	112,712,033
Subtotal NR Undergraduate	103,397,337	103,807,685	111,331,902		111,331,902	3.30%	3.70%	119,261,072
Subtotal Res Graduate	29,413,680	28,972,009	30,039,979		30,039,979	2.00%	1.00%	30,947,186
Subtotal NR Graduate	13,104,998	14,050,614	11,974,659		11,974,659	4.00%	0.10%	12,466,099
Subtotal VetMed	10,237,335	10,493,268	10,977,843		10,977,843	3.30%	0.00%	11,340,111
Subtotal Pharmacy	9,510,873	9,521,906	9,486,542		9,486,542	3.30%	-1.70%	9,633,004
Revenue correct (differential)			-		-			-
Subtotal Miscellaneous	1,718,154	1,800,000	1,874,474		1,874,474	3.30%	1.20%	1,959,568
Ecampus tuition	147,253,796	164,295,378	164,844,387		164,844,387	3.30%	8.40%	184,588,128
Summer	9,009,863	9,800,000	8,577,534		8,577,534	3.30%	-2.00%	8,683,381
Waivers*	(57,125,000)	(59,546,000)	(68,973,604)		(68,973,604)	15.00%		(79,319,645)
Total Net Tuition	374,537,161	392,959,844	388,918,717	-	388,918,717			412,270,937
Total Revenues	605,294,096	623,286,604	623,310,725	-	623,310,725			654,599,429
Additional Strategic Expenses								
Change in Fund Balance:	34,214,222	4,154,946	4,179,067	-	4,179,067			1,871,353
Cost Reductions:								-
Additional Strategic Expenses								8,600,000
Detail for additional strategic expenses:								8,600,000
								1,000,000
								1,000,000
								2,400,000
								2,000,000
								1,400,000
								400,000
								400,000
Support issues may need funding in Student Affairs, Research Admin, Equal Opportunity and Access, UIT, Enrollment Management								

What is the outlook for 2022-2023 (FY23)?

A preliminary planning sheet for the Corvallis E&G budget is shown at left.

This is an early version and estimates will change as we refine the projections. But it gives you an idea of the relative size and impact of different revenue and expense categories.

OSU Tuition Strategy 2022-23

Summary:

In 2020-21 and 2021-22 OSU moved to a cohort tuition model where tuition rates for continuing undergraduate students increased at the estimated rate of inflation or less and rates for incoming students increasing somewhat more to provide resources for program improvements while those students were at OSU. The result is that undergraduate students now have tuition rates that vary by their year of matriculation. The approach creates more predictability for continuing students but allows sufficient flexibility to address growth in university costs and program development. The proposal is to make this the default approach for setting undergraduate tuition at OSU.

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.
- Continuing students (for all campuses, residencies and modalities) would have tuition increased at no more than the estimated rate of inflation based on a weighted average across spending categories.
- Students matriculating in the next academic year would have tuition increased at a slightly greater rate (for initial planning an additional point) than continuing students.
- Rates would comprise an instructional charge for all students, a distance education fee for Ecampus courses, and a campus charge for non-resident students. Differential tuition for particular programs may be charged.
- Differential tuition charges above base tuition and the distance education fee 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 cohorts.
- 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 charge on a program by program basis consistent with program costs, peer comparisons, and market analyses.
- Tuition and incidental fees would be charged on the basis of the student's primary campus, rather than by mode of delivery beginning fall 2022 or fall 2023 depending on UBC and campus discussions.

The goals of these changes are to:

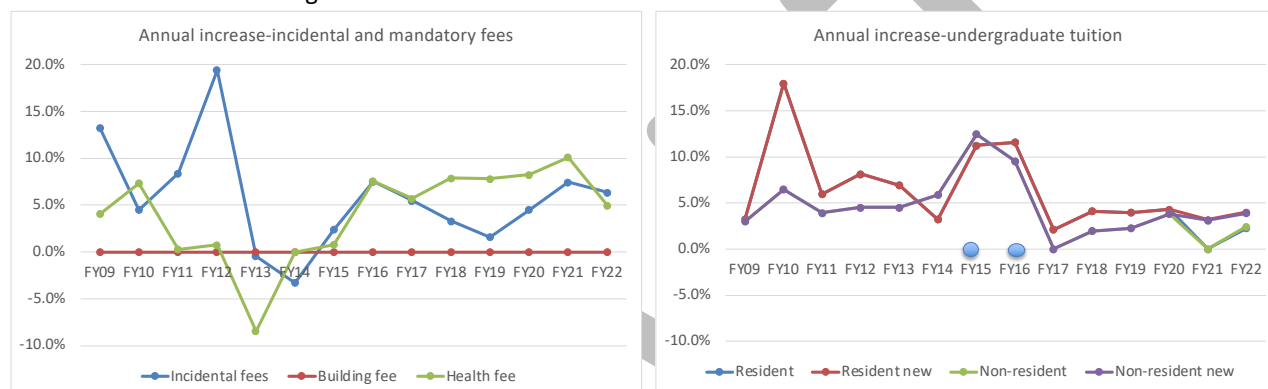
- Provide more predictability in tuition rates for students who have committed to OSU.
- Make the structure of tuition clearer for students.
- Align tuition and fee charges with the campus students are primarily using.
- Make the annual tuition-setting process more transparent and simpler to reduce the time spent on the issue each year and allow more time for campus discussion.
- Provide sufficient flexibility for OSU to continue to improve academic and support services and to manage through unexpected financial downturns.

Discussion of Details of the Tuition Proposal

Tuition and fee rate increase history

Tuition and fee rate increases (Figure 1) have varied greatly over the last 13 years. The Board's statement expecting increases in the 2% to 5% range has helped provide more consistency to those increases. The tuition framework proposed here would continue that effort.

Figure 1: Percentage increases in fees (left) and undergraduate tuition (right). The large FY12 increase in incidental fees was a new fee for facilities improvements. The large tuition increases in FY15 and FY16 were the change to per credit hour charges, which had a 0% increase for students taking 12 credits (blue dots) or less but increases over 10% for students taking 15 credits or more.



The building debt service fee (for student services and student life buildings) has not increased in many years. A small increase there could help support the costs of building repair and renewal.

Components of tuition

Table 1: Tuition components for new undergraduate students. There is a “zero-credit hour” flat charge that is included in the calculation of annual tuition.

Average per credit hour charge--Ecampus infrastructure fee, non-resident supplemental tuition					
	Zero credit hour charge	Instruction fee	Distance education infrastructure	Non-resident campus charge	Total tuition
Ecampus		241.00	90.00	-	331.00
Resident undergraduate Corvallis		228.00	-	-	228.00
Resident undergraduate Cascades		224.00	-	-	224.00
Non-resident undergraduate		228.00	-	450.00	678.00
Annual at 15 credits per quarter--restructured					
	Zero credit hour charge	Instruction	Distance education infrastructure	Non-resident campus charge	Total tuition
Ecampus	-	10,845.00	4,050.00	-	14,895.00
Resident undergraduate Corvallis	100.00	10,360.00	-	-	10,660.00
Resident undergraduate Cascades	100.00	10,180.00	-	-	10,480.00
Non-resident undergraduate	335.00	10,595.00	-	20,250.00	31,850.00

The University Budget Committee discussed, in 2020-21, how to better describe the components of undergraduate tuition and their relationship to residency, campus, and course modality. The suggestion was to identify three principal components: an instructional fee (ideally similar across groups

and modalities), a distance education fee specific to tuition for delivering distance degree programs, and a campus fee charged to non-resident students who study at one of OSU's two physical campuses. Table 1 shows what those are for new students in fall 2021.

The instruction fee portion is not yet aligned across campuses and modalities. That will be changed slowly over the next cycles of tuition setting and in revisions of the University Budget Model.

Current tuition charges

OSU implemented a cohort pricing model for undergraduate students for the 2020-21 fiscal year. This provided an opportunity to differentiate tuition changes for continuing students and for new students. There are now three tuition cohorts. Table 2 shows the current distribution of those tuition components across the three cohorts.

Table 2: Current cohort tuition charges

	Zero credit hour flat charge	Instruction fee per credit	Distance education infrastructure per SCH	Non- resident campus charge per SCH	Total tuition per credit	Annual total at 15 credits per term
Resident Corvallis						
Matriculated prior to fall 2020	100	217			217	10,065
Matriculated fall 2020	100	224			224	10,380
Matriculated fall 2021	100	228			228	10,560
Matriculated fall 2022	100				-	300
Resident Cascades						
Matriculated prior to fall 2020	100	210			210	9,750
Matriculated fall 2020	100	220			220	10,200
Matriculated fall 2021	100	224			224	10,380
Matriculated fall 2022	100				-	300
Non-resident						
Matriculated prior to fall 2020	335	217		431	648	30,165
Matriculated fall 2020	335	224		444	668	31,065
Matriculated fall 2021	335	228		450	678	31,515
Matriculated fall 2022	335				-	1,005
Ecampus						
Matriculated prior to fall 2020	-	236	90		326	14,670
Matriculated fall 2020	-	236	90		326	14,670
Matriculated fall 2021	-	241	90		331	14,895
Matriculated fall 2022	-				-	-

Projection of institutional inflation

The tuition proposal is to increment tuition for continuing students by no more than the rate of institutional inflation projected for the next fiscal year. This estimate comes from a weighted average of the increases expected for different categories of expenditures. The estimate for FY23 is shown in Table 3, based on current information. The expected inflation rate for OSU

expenses is an aggregate 3.5%, driven principally by increases in the costs of salaries and benefits and the larger than usual rate of CPI inflation on services and supplies.

Table 3: Components of the institutional inflation calculation. For FY23 these yield an expected increase of 3.5%.

FY22 to FY22					
Cost Category:	average % of total spend	Rate Change	Change due to salary increases	Total Change	Comments/Method
Unclassified Salary & Pay	38.25%	3.50%		3.50%	3.5% effective July 1, 2022
Unclassified OPE	18.66%	1.67%	1.96%	3.66%	1.67% on base plus 56% (33%/58.7% OPE) of 3.5%
Classified Salary & Pay	7.13%	4.50%		4.50%	4.5% average increases, raise plus steps
Classified OPE	4.68%	2.35%	2.03%	4.42%	2.35% on base plus 45% (33%/73.32% OPE) of 4.5%
Graduate & Student Pay	5.44%	2.00%		2.00%	2% base increase (GA increase, minimum wage)
Graduate Fee Remissions	3.21%	2.00%		2.00%	2.0% resident tuition increase
Graduate & Student OPE	1.10%	4.00%		4.00%	4% general increase (health insurance)
Other Salary Costs	0.25%	2.00%		2.00%	2% general increase
Services & Supplies	19.66%	3.50%		3.50%	3.5% CPI for academic year
Capital Outlay	1.29%	3.00%		3.00%	3% inflation for academic year
Student Aid	0.33%	2.00%		2.00%	local assistance this is outside major financial aid
Service Credits		3.50%		3.50%	same as S&S rate
Total Expenditures	100.00%			3.51%	
Transfers In					by incremental adjustments
Transfers Out					by incremental adjustments
Net transfers:					

FY23 tuition rates in this model

If a 3.3% increase on continuing students (a bit less than the calculated inflation rate) and a 4.3% increase on new students (one percentage point more than the continuing student rate) is assumed, Table 4 shows what the cohort tuition structure would be.

Differential rates above base tuition would increase at the rate for continuing students (unless the college or program specifically asked to leave the rate constant. The distance education fee component of Ecampus tuition would be adjusted to be constant across cohorts. Graduate and professional tuition would be reviewed based on inflation estimates, peer rates, and costs of delivering specialty programs.

Increments for new students

If tuition for continuing students is raised by the rate of inflation, that means revenues will just keep up with cost growth (assuming state funding and other sources also grow). There are many places where student services, academic programs, and facilities repair would benefit from additional investment. The idea of adding a small increment to tuition for incoming students is to build a modest pool over time to contribute to program and service improvements that will benefit those students while they are at OSU.

Table 4: Projected increases in base tuition with an assumption of a 3.3% increase for continuing students and a 4.3% increase for continuing students.

	Zero credit hour charge	Instruction fee	Distance education infrastructure	Non-resident campus charge	Total tuition per credit	Annual total at 15 credits
Resident Corvallis						
Matriculated prior to fall 2020	100	224			224	10,380
Matriculated fall 2020	100	231			231	10,695
Matriculated fall 2021	100	236			236	10,920
Matriculated fall 2022	100	238			238	11,010
Resident Cascades						
Matriculated prior to fall 2020	100	217			217	10,065
Matriculated fall 2020	100	227			227	10,515
Matriculated fall 2021	100	231			231	10,695
Matriculated fall 2022	100	234			234	10,830
Non-resident						
Matriculated prior to fall 2020	335	224		445	669	31,110
Matriculated fall 2020	335	231		459	690	32,055
Matriculated fall 2021	335	236		464	700	32,505
Matriculated fall 2022	335	238		469	707	32,820
Ecampus						
Matriculated prior to fall 2020	-	244	93		337	15,165
Matriculated fall 2020	-	244	93		337	15,165
Matriculated fall 2021	-	249	93		342	15,390
Matriculated fall 2022	-	252	93		345	15,535

Figure 2: Projected increases in gross tuition revenues with assumptions of a 3.0% increase for continuing students and varying additional increments for new students.

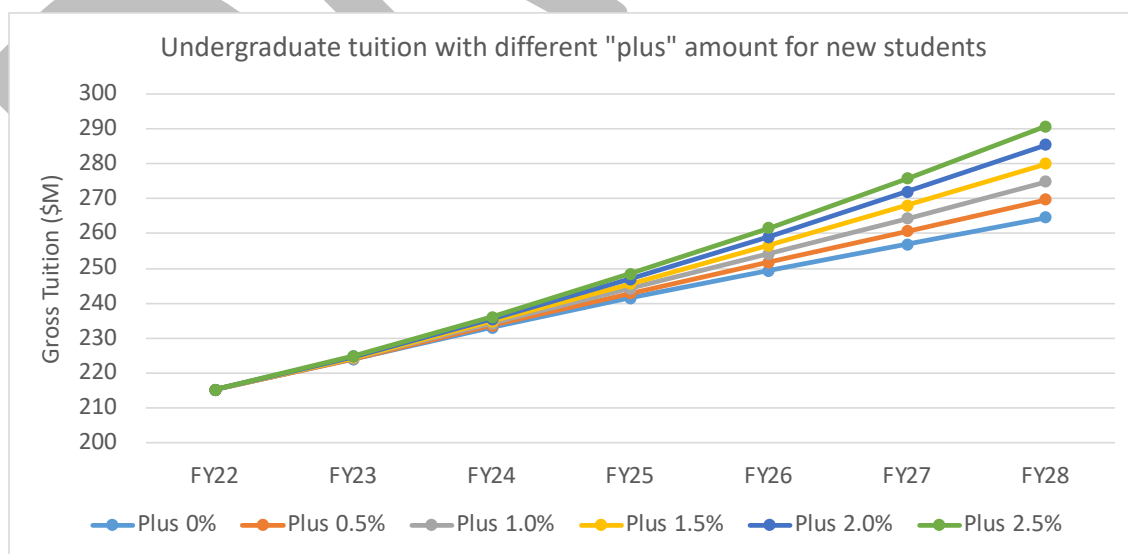


Figure 2 shows an example of how different increments on top of an inflationary increase for new students impacts gross tuition revenues¹, assuming class sizes remain the same as at present. This calculation is just for undergraduate, Corvallis tuition.

Projections suggest that likely costs for building and equipment renewal and desired new services will exceed the incremental revenue in Figure 2. This approach also assumes that the university will also work to develop new revenues through enrollment growth (particularly in Ecampus and in new programs in Corvallis) and will continually review and reallocate budget from existing programs as new priorities warrant.

Change to charging by campus rather than modality

In 2020-21, the UBC discussed at length whether to charge tuition and fees by campus (Corvallis, Cascades, or Ecampus) instead of by course delivery type. This would address the issue of non-resident students on campus in Corvallis or Bend paying less than the intended share of non-resident tuition supporting campus infrastructure and less than the intended incidental and mandatory fees. A decision to charge academic year tuition by the student's primary campus would reduce per credit hour tuition charges for resident students and increase charges per credit hour for non-resident students. It would change the basis for assessing fees from in-person credit hours to total credit hours for those students in Corvallis and Bend. It was assumed in the discussion that summer tuition would continue to be charged by course type since there is no non-resident tuition in summer and campus location likely have less bearing on where students are actually studying.

Based on FY20 credit hour distributions for Corvallis and Cascades (used on the assumption the distribution might be more "normal") such a change would net about \$2.5M in additional tuition, a combination of a net increase of \$12.5M in undergraduate non-resident tuition, a loss of \$8.0M in undergraduate resident tuition, a loss of \$0.1M of resident graduate tuition, and a loss of \$1.4M of non-resident graduate tuition. The model did assume a 10% decline in overall non-resident use of Ecampus courses. So, a change to charges based on campus code would net a modest increase in tuition but would have large changes in costs to different student groups.

Assumptions

- The change would principally impact base tuition rates (differential rates per credit are usually the same for campus or Ecampus courses).
- The change assumed a 10% decline in net tuition because of enrollment declines in response to the change.
- There is a discount of 15% applied to the increase in non-resident undergraduate tuition to account for institutional financial aid applied to those increased costs.

¹ Gross tuition means before institutional financial aid for students is taken out of that amount.

- The tuition cost for Corvallis or Cascades graduate students taking Ecampus courses would drop to zero as most of those students will be within the graduate tuition plateau (same price from 9 credits to 16 credits). While a cost to overall revenue this would provide a benefit to grant paid tuition and to department budgets for graduate remissions.
- FY20 rates were used. The relative proportions of losses and gains are likely to be proportionately similar even given the increased Ecampus enrollments in FY21.

Data

Corvallis campus students, fall			
	Corvallis courses	Ecampus courses	% Ecampus
FY12	286,750	11,817	4.0%
FY13	294,078	14,586	4.7%
FY14	302,285	15,839	5.0%
FY15	301,022	19,876	6.2%
FY16	299,588	23,802	7.4%
FY17	298,051	26,871	8.3%
FY18	296,177	31,740	9.7%
FY19	288,181	34,132	10.6%
FY20	283,173	38,416	11.9%
FY21	263,492	43,056	14.0%

Table 5. Corvallis and Ecampus SCH taken by Corvallis students in fall.

Credit hour data used for FY20 is on the next page, along with the financial summary. One additional piece of information is a review showing the percentage of credit hours taken by Corvallis students through Ecampus (here for fall terms) has been consistently increasing. There do not seem to be large differences between resident and non-residents student in the use of Ecampus courses. This would suggest that fee charges (which are tiered by credit hours taken) are likely a few percentage

points less than what was intended since Ecampus credit hours are not included in the assessment of fee charges.

Table 6: Credit hours taught by Ecampus binned by campus of student and level of student.

Ecampus SCH FY20 Fall, Winter, Spring								
		Non-res	Resident	Total	% of Total	Ecampus rate	Campus rate res	Campus rate NR
Undergraduate	Cascades	587	4,632	5,219	1.9%	309	205	632
	Corvallis	44,917	77,730	122,647	44.4%	309	212	632
	DSC	100,232	27,774	128,006	46.3%	309	N/A	N/A
	Lagrande	267	592	859	0.3%	309	N/A	N/A
	PDX	105	430	535	0.2%	309	N/A	N/A
Graduate	Cascades	13	25	38	0.0%	560	491	0
	Corvallis	2,419	1,671	4,090	1.5%	560	491	0
	DSC	8,534	5,694	14,228	5.2%	560	N/A	N/A
	Lagrande	-	-	-	0.0%	560	N/A	N/A
	PDX	132	452	584	0.2%	560	N/A	N/A
		157,206	119,000	276,206	100.0%			

Table 7: Financial assessment based on the credit hour data for FY20. The reduction of \$479,220 in the “Net” column is for the assumption of some loss of enrollment due to the change in pricing. The gains in revenue from non-resident tuition are reduced by 15% to account for increased financial aid allocations.

Academic Year FY20					
		Gross res. change	Gross NR change	Discounted positive Non- res 15%	Net
Undergrad	Cascades	(481,700)	189,600	161,200	(320,500)
	Corvallis	(7,539,800)	14,508,200	12,332,000	4,792,200
					(479,220)
Graduate	Cascades	(1,700)	(7,300)		(9,000)
	Corvallis	(115,300)	(1,354,600)		(1,469,900)
Total without summer		(8,138,500)	13,335,900	12,493,200	2,513,580

Potential stakeholder issues

These changes are significant but can provide more predictability for students and the institution, clearer links between tuition and location or modality, and fairer distribution of costs for tuition or fee supported campus-based programs.

Some particular issues to consider in proceeding with these changes:

- Tuition cohort model
 - This changes tuition and budget from an expense perspective (we have to raise tuition to cover everything we need to do) to a revenue perspective (we are going to raise tuition at inflation and find growth or expense reductions to balance our budgets).
 - This shifts the annual focus of tuition setting to estimates of inflationary pressures for the next year.
 - It will still require making sure programs are competitive in cost as higher education is a national and global market now.
 - Others?
- Tuition charges by primary campus
 - A communication strategy will be important so students are aware of the change in a timely manner.
 - Departments will need to know that Ecampus credit hours are still budgeted to them in the same way as now (i.e. all Ecampus credit hours will be counted—this is something embedded in the budget model).
 - This will need planning for athletics as there is likely a larger proportion of non-resident student-athletes using Ecampus courses than in the general population.
 - Others?