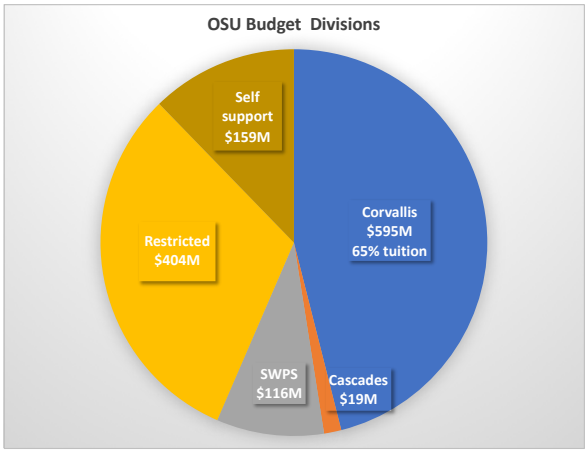
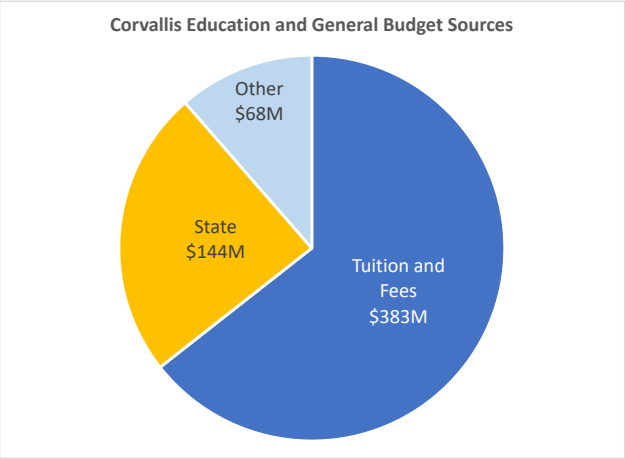
Tuition Forum Background **January, 2021**



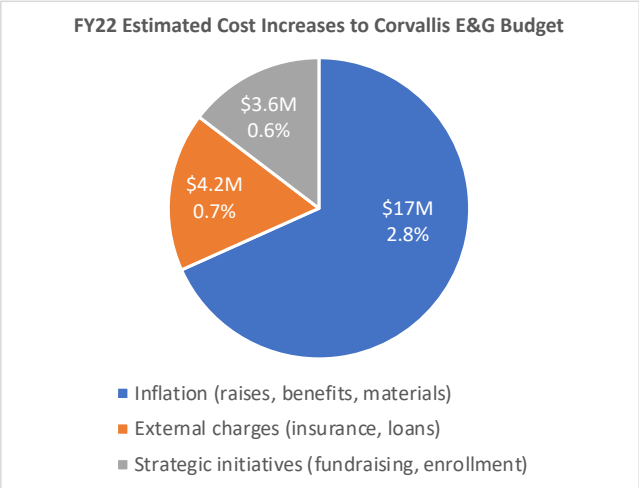
Where does the OSU budget come from? The OSU budget has five principal parts. Tuition contributes to the budget for Education & General (E&G) funds for academic programs at Corvallis and Cascades. The other three funds are for specific purposes and are not used for general university support of academic programs or services. These include Statewide Public Service (SWPS) funds (funded by the state for research and service to support communities and industries in Oregon), restricted funds (like federal grants for research, federal financial aid, designated private gifts), and self-support funds (like Housing and Dining, Parking, or Athletics, funded through charges for services or media revenues). Non-E&G funds do not receive tuition revenues and, typically, self-support funds are not available for Education and General fund purposes.

What part of that does tuition support? Tuition goes to support academic programs and associated administrative and support services at the Corvallis and Cascades campuses. At Corvallis, about 65% of the E&G budget comes from tuition, about 24% from the State, and 11% from other sources.



What does tuition pay for? Tuition is the largest part of the Corvallis E&G budget that supports most of the faculty, graduate assistants, and staff that deliver academic programs and services; the physical infrastructure supporting those programs; and the service, support and administrative functions that allow those programs to work. In short, tuition is the largest source of funding for the academic mission of the university. 75% of the spending of those budgets is on salaries and benefits for faculty, staff, graduate assistants, and student workers.

Why does tuition keep going up? The biggest factor responsible for tuition increases is increasing annual costs (see chart below). OSU has inflation in salaries, benefits, and costs of goods and services like any organization. For example, from the current year to next, salary costs are projected to increase $6.4M, benefits costs $7.5M, and service and supply costs $2.8M. That's an inflation rate of about 2.8%. Other cost pressures are non-inflationary increases in mandatory costs (like insurance, debt, or utilities) and the desire to make commitments for new services (sometimes at the request of students or staff, sometimes for compliance), repair of facilities, or future return (like hiring more fundraising staff now to generate more scholarships in the future). The mandatory new commitments this coming year are about $4.2M and the desired strategic investments about $3.6M. If tuition increases contributed proportionately to all of these, inflationary costs would increase 2.8%, mandatory new costs 0.7%, and strategic commitments 0.6%.



Why can't OSU cut expenses instead of raising tuition? OSU is always looking for expense reductions and in the 2017-18 fiscal year, for example, cut $20M in expenses from the E&G budgets to keep tuition increases below 5%. In the current year, E&G units are reducing expenses by about $49M to address revenue losses and expense increases due to the pandemic. The Board of Trustees has stated they expect tuition to increase from 2% to 5% a year, which means in years with larger cost increases the expectation is for some expense reductions. The problem with addressing cost increases *only* with expense cuts is that, after a while, essential services have to be cut. For example, if inflationary costs are 3.5% every year, and OSU cut that much in expenses every year, in five years the cuts would be about 16% in total and many programs and services would be eliminated due to lack of funding.

Survey questions:

1. Is a 2.8% increase in undergraduate tuition reasonable to pay for the projected increase in inflationary costs (raises, retirement and health care, increases in materials and utilities)?
   - ○ Yes
   - ○ No
   - ○ Prefer not to answer

2. If the 2.8% increase in tuition is reasonable to address inflation, which of the following is reasonable in addition?
   - ○ An additional 0.7% increase to pay for mandatory cost increases above inflation (insurance premiums, utility and city fee charges, debt payments for building repair or replacement)?
   - ○ An additional 0.6% increase in undergraduate tuition to pay for new strategic expenses above inflation (more private fundraising, more enrollment services or student services)?
   - ○ Neither
   - ○ Prefer not to answer

3. If you answered "no" to Question 1 or 2, what would be your recommended strategy or strategies to address those cost increases (assuming there is not enough additional funding from the state to cover them)?
   - ○ Cut expenses proportionately across OSU units
   - ○ Cut expenses in a targeted way (this would include both academic and administrative units)
   - ○ Don't make the strategic investments (the 0.6% increase)
   - ○ Other
   - ○ Prefer not to answer

4. I am a:
   - ○ Student
   - ○ Faculty member
   - ○ Professional staff
   - ○ Other