January 4, 2021
Tuition Scenarios for FY22

The table on the following page estimates the operating surplus or deficit for Corvallis Education and General operations for 2021-22 given different assumptions about tuition increases and state funding. The Governor's Recommended Budget (GRB) corresponds to the middle row of the table.

Revenue assumptions include:

- Enrollment estimates:
    - Resident undergraduates -1.3%
    - Non-resident undergraduates -4.4%
    - Graduate and professional flat
    - Ecampus up 5%
- State revenues as noted in rows
- Other revenues
    - F&A recovery from grants—inflationary increment
    - Interest up 2%
    - Sales and service revenues up 2%

Expense assumptions include:

- Unclassified salary increases of 1.5 % (mid-year raise)
- Classified salary increases of 4.75% as per contract
- Graduate assistant and student increases of 2%
- Benefits increases of 3% to 6% depending on employee group
- Increases in other costs at CPI inflation of about 2%
- Additional mandated cost increases in insurance, building operations and debt service
- Strategic investment in the OSU Foundation, enrollment management and other critical areas

The table shows, for a range of state funding and undergraduate tuition increases, what the percentage increases are (these are calculated from rates for new students in fall, 2020), what the annual dollar increase is, what the estimated increase in tuition and fees is, and the gap between estimated revenues and expenses for two cases. There is one revenue case in each scenario but two expenses cases. The first case (the lower gap between revenues and expenses in each case) assumes that the current year expenses are the base for estimating FY22 expenses. The second case assumes that the expense base rebounds somewhat towards FY20 (last year) expenses (calculated as 60% of FY20 spending, 40% of FY21 spending). The Budget Office considers the latter case more realistic at this point.

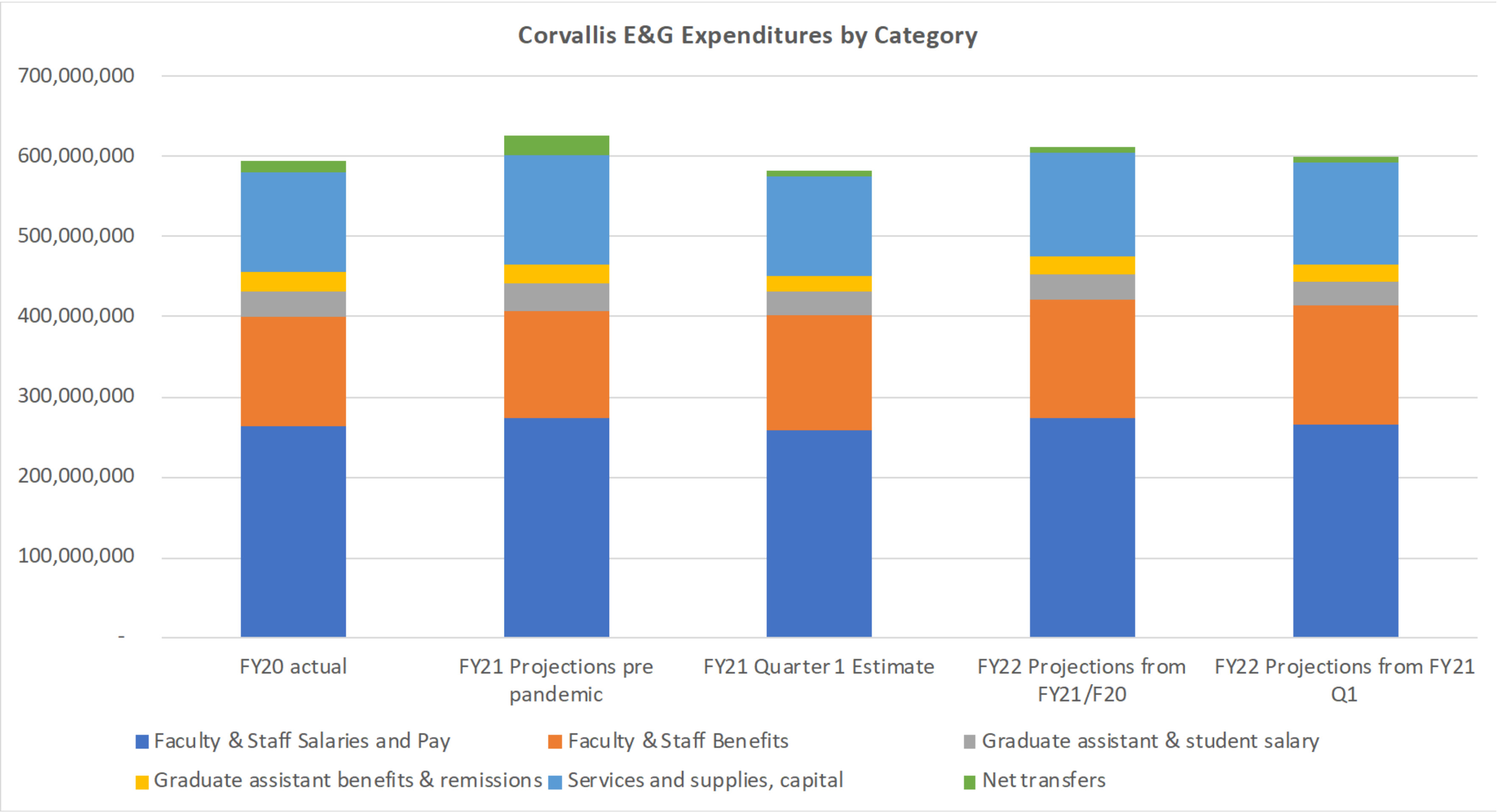
<u>FY2021-22 Corvallis Tuition scenario (rate change the same for Cascades)</u>

Tuition Scenario Table (Corvallis campus): 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**.** Middle column scenario set at estimated overall continuing service level increase. Rates are applied to resident undergraduate (including Ecampus) and non-resident undergraduate tuition rates.

	Scenario A: **Resident 2.8%, Non-resident 2.8%**	**Scenario B:** **Resident 3.5%, Non-resident 3.5%**	**Scenario C:** **Resident 4.1%, Non-resident 4.1%**
State funding change year over year: 0%	Resident undergraduate: 2.78% Non-res undergraduate: 2.72% Financial aid increase $1.3M Surplus or (deficit): $(0.8M) to $(13M) $280 annual increase residents $830 annual increase non-res	Resident undergraduate: 3.55% Non-res undergraduate: 3.41% Financial aid increase $1.4M Surplus or (deficit): $2M to $(10M) $360 annual increase residents $1035 annual increase non-res	Resident undergraduate: 3.99% Non-res undergraduate: 4.00% Financial aid increase $1.6M Surplus or (deficit): $4M to $(8M) $405 annual increase residents $1215 annual increase non-res
State funding change year over year: -4%	Resident undergraduate: 2.78% Non-res undergraduate: 2.72% Financial aid increase $1.3M Surplus or (deficit): $(7M) to $(19M) $280 annual increase residents $830 annual increase non-res	Resident undergraduate: 3.55% Non-res undergraduate: 3.41% Financial aid increase $1.4M Surplus or (deficit): $(4M) to $(16M) $360 annual increase residents $1035 annual increase non-res	Resident undergraduate: 3.99% Non-res undergraduate: 4.00% Financial aid increase $1.6M Surplus or (deficit): $(2M) to $(14M) $405 annual increase residents $1215 annual increase non-res
State funding change year over year: -8%	Resident undergraduate: 2.78% Non-res undergraduate: 2.72% Financial aid increase $1.3M Surplus or (deficit): $(13M) to $(24M) $280 annual increase residents $830 annual increase non-res	Resident undergraduate: 3.55% Non-res undergraduate: 3.41% Financial aid increase $1.4M Surplus or (deficit): $(10M) to $(21M) $360 annual increase residents $1035 annual increase non-res	Resident undergraduate: 3.99% Non-res undergraduate: 4.00% Financial aid increase $1.6M Surplus or (deficit): $(8M) to $(18M) $405 annual increase residents $1215 annual increase non-res
	Base resident tuition & fees: 2.90% Average res. tuition & fees: 2.86%	Base resident tuition & fees: 3.57% Average res. tuition & fees: 3.49%	Base resident tuition & fees: 3.94% Average res. tuition & fees: 3.81%

- Graduate tuition 4.5% non-resident, 1.5% resident, professional tuition 3.5%. .Cost estimates include ~2.7% overall inflation this year because of modest increases in benefit costs; costs of growth (about 0.5% for modest growth in Ecampus but declines in Corvallis); and new commitments (this year largely for capital renewal and repair, insurance, debt service, investments in research, student affairs and enrollment management; and the OSU Foundation).

Estimates of expenses for FY22 are complicated by the sharp reduction in spending in the current year (FY21 Quarter 1 Estimate). It is likely that as operations return closer to normal that expense growth will exceed simple inflationary growth (the next to right bar vs. the rightmost bar).



What does tuition pay for? The OSU budget has four principal parts: Education & General (E&G) funds (tuition and state dollars that pay for academic programs), restricted funds (like Federal grants for research or federal financial aid), self- support funds (like Housing and Dining or Athletics) and Statewide Public Service (SWPS) funds. The funds in the non-E&G budgets don't receive tuition and their budgets are not available for Education and General budget purposes. About 65% of the E&G budget comes from tuition, about 22% from the state, and the rest from a mix of other sources.

Tuition is the largest part of the Education and General (E&G) budget which supports most of the faculty, graduate assistants, and staff that deliver academic programs; 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, and graduate assistants

Corvallis expenditure budget FY21	573,743,729		
Corvallis net transfers	28,401,212		
Total Corvallis expense base FY21	602,144,941		

	Dollar increase	% of Expense Base	Tuition contribution?
FY22 Continuing Service Level increase**	16,378,342	2.72%	
New mandatory costs			
Insurance premium increase	2,300,000	0.38%	
Debt service increase, new completions	1,800,000	0.30%	
Operation cost for new buildings	500,000	0.08%	
New strategic investments			
Increase for OSU Foundation	1,200,000	0.20%	
Athletics increment	350,000	0.06%	
Programmatic investment*	2,000,000	0.33%	
Total	24,528,342	4.07%	0.00%

**raises (some in contract), retirement and health increases, inflation on utilities, materials,
*placeholder for now (enrollment management, information technology, new degress, etc.)

This approach does not take into account making up losses if the state reduces funding or does not increase at the inflation rate, or if other revenue sources lag.

Why does tuition keep going up? The biggest reason for tuition increasing is that costs increase every year (see table at left). OSU has inflation in salaries, benefits, and costs of goods and services like any organization. For example, from the current year salary costs are projected to increase $6.3M, benefits costs $7.5M, and service and supply costs $2.6M. That's an inflation rate of about 2.72%. The other cost pressures are non-inflationary increases in mandatory costs (like insurance or utilities) and the need 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 $4.6M and the desired strategic investments about $3.5M. If tuition increases contributed proportionately to all of these, the inflationary costs would be a 2.72% increase, the mandatory new costs a 0.72% increase, and the strategic commitments a 0.59% increase.

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 Education and General budgets to keep tuition increases below 5%. 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 4% every year, and OSU cut that much every year, in five years the cuts would be 22% in total and many programs and services would be gone.

Tuition survey

1. Is a 2.7% 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. Is an additional 0.7% increase in undergraduate tuition reasonable to pay for mandatory cost increases above inflation (insurance premium increases, utility and city fee charges, debt payments for building repair or replacement)?
   - ○ Yes
   - ○ No
   - ○ Prefer not to answer

3. Is an additional 0.6% increase in undergraduate tuition reasonable to pay for new strategic expenses above inflation (investments in private fundraising, investments in enrollment services, investments in student services)?
   - ○ Yes
   - ○ No
   - ○ Prefer not to answer

4. If you answered "no" to any of the questions about increases, 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

5. Are there any other comments you would like to make:____________________________

6. I am a
   - ○ Student
   - ○ Faculty member
   - ○ Professional staff
   - ○ Prefer not to answer

7. I had a chance to read the tuition context page before completing this survey
   - ○ Yes
   - ○ No
   - ○ Prefer not to answer