



MINUTES

Committee Members Present: Mark Baldwin, Rani Borkar (*ex officio*), Julia Brim-Edwards, Darry Callahan, Mike Green (*ex officio*), Angel Mandujano-Guevara, Laura Naumes, Kirk Schueler (*chair*), and Mike Thorne (*vice chair*)

Other Trustees Present: Mike Bailey, Patty Bedient, Michele Longo Eder, Paul Kelly, Julie Manning, and Ed Ray

University Staff Present: Ron Adams, Jennifer Almquist, Sherm Bloomer, Susan Capalbo, Steve Clark, Debbie Colbert, Ed Feser, Becca Gose, Cindy Sagers, and Patti Snopkowski

1. Call to Order/Roll/Declaration of a Quorum

Committee Chair Kirk Schueler called the meeting to order at 10:17 a.m., asked the assistant board secretary to call the roll, and noted a quorum.

2. Vice President for Finance and Administration's Report

Vice President for Finance and Administration and Chief Financial Officer Mike Green provided an overview of organizational changes that are underway within Finance and Administration, including realigning units and changing reporting lines. He also reported on searches to fill key leadership positions. Green said the seven public universities were awaiting final instructions from the Higher Education Coordinating Commission (HECC) for submission of their 2019-21 operating funding request. In advance of that guidance, the universities have been meeting to calculate what is needed to address the most pressing concerns around state funding and enable expanded investments in students with the goal of keeping tuition increases at or below five percent. He said the consolidated funding request would be presented to the committee at the next committee meeting. Green reported that the HECC issued guidance for the universities' capital submissions, noting that the request would be presented to the Board at the April 16 telephonic meeting. Lastly, Green spoke about the FY2018 Q2 Operating Management Report included on the consent agenda. He said there was a downward adjustment to the projected tuition and resource fee revenue primarily due to lower than anticipated growth in Ecampus. Green added that staff believe no further adjustments to the tuition revenue projection will be needed for the year; however, the long-term projection in the Ten-Year Business Forecast has been muted, and staff will be evaluating the Ecampus projection methodology for the future.

3. Consent Agenda

- a. Minutes of the January 18, 2018 Finance & Administration Committee Meeting
- b. FY2018 Q2 OSU Operating Management Report
- c. FY2018 Q2 Investment Reports

A motion was made and seconded to approve the items on the consent agenda. The motion carried.

4. Action Items

a. FY2019 Tuition Rates, Mandatory Fees and Student Incidental Fees and Operating Budget Outlook

Schueler introduced this item by reminding trustees that they had discussed preliminary tuition scenarios at their January meeting. He then asked Green and Director of Budget and Fiscal Planning Sherm Bloomer to present the details of the proposed tuition and operating budget outlook. Green noted that the previous conversation about preliminary tuition scenarios had been presented in the context of the Ten-Year Business Forecast, which he said was a helpful tool for identifying the long-term effects of different scenarios. He said the tuition and fee recommendations are part of a long-term financial strategy for the university, which also includes decreases in expenses, strategic growth in certain programs, and a budget focused on the university's highest strategic priorities. Green added that the tuition recommendations were developed with the input of faculty, staff, and students who participated in advisory committees and a variety of budget and tuition input forums.

Bloomer began with an overview of the process, which started the previous fall and involved multiple meetings of the University Budget Committee and Student Budget Advisory Committee. The Office of Budget and Fiscal Planning prepared projections of costs and budget projections with different assumptions, and the groups considered tuition rates, mandatory fees, institutional financial aid, program quality, and level of service and then made recommendations to the provost in February. In parallel, student committees both in Corvallis and at OSU-Cascades reviewed and recommended student incidental fee rates. Bloomer said that throughout the process, there were a number of open campus conversations to gather questions and comments, and he also conducted outreach to student groups and engaged faculty and staff. He noted that the tuition rates established each year are part of an Education & General Fund budget planning process that estimates revenues and expenses for the next year. Bloomer spoke about inflationary pressures and the effect on tuition, noting in particular the extent to which inflation is driven by employee benefit expenses, and he added that major drivers of cost also include strategic commitments and enrollment growth. He also provided an overview of incremental revenue sources. Bloomer then presented the three undergraduate tuition scenarios and the key comments from the campus discussions about these recommendations.

Next, Bloomer summarized statements for the committee's consideration related to long-term tuition planning that he suggested could be incorporated into the Board's tuition and fee process. The committee's discussion about long-term tuition planning focused on the importance of addressing the challenge students and families face in planning for the costs of higher education because of the unpredictability of tuition rates. Trustee Mike Thorne and President Ed Ray observed that the way public education is funded in Oregon has fundamentally shifted over the last twenty-plus years and this, together with choices made about the public employee retirement system, have put the state's universities in a difficult financial position. They advocated for a robust discussion with the legislature on how to address these larger systemic problems that are negatively

affecting today's students. Trustees also discussed the impact of costs that the university has little control over, such as long-term retirement costs.

Trustees were generally in favor of making a longer-term statement in the Board's tuition and fee process about anticipated tuition rates. Trustee Julia Brim-Edwards noted that it would make it easier for students and families to plan for college expenses. Trustees discussed that any tuition statement should be realistic about the minimum levels and explain the circumstances that would lead to rates being set at levels higher than anticipated. For example, although the default range recommended by staff was 1.5% to 4.5%, Trustee Darry Callahan emphasized the importance of conducting further analysis about the feasibility of an increase as low as 1.5%. Trustee Michele Longo Eder agreed, and she also suggested that the statement should prioritize targeted investments in alignment with the strategic plan. Schueler noted the importance of emphasizing cost control actions that would allow the Board to keep tuition within established ranges. Trustees pointed to the vision and goals expressed in the university's strategic plan and other such documents as a way to provide leadership with decision-making guidelines around appropriate cuts and investments. Trustees also noted that the statement should also say how frequently this statement would be updated. Based on the committee's discussion, staff will draft amendments to the Board's tuition and fee process for review at the June meeting.

As the committee moved to their discussion of proposed tuition and mandatory fees, Board Secretary Debbie Colbert asked General Counsel Becca Gose to speak to ethical considerations regarding the deliberation of tuition and fees by trustees who have family members who are students at the university. Gose said the Oregon Government Ethics Commission has issued a letter confirming that trustees in this situation do not have a conflict of interest and are therefore not prohibited from participating in decisions about tuition and fees. Gose said this applies to situations where the action would financially impact the public official to the same degree as other members of an identifiable class.

Discussion about tuition and fees was wide-ranging and spoke to the complexity of the topic. Trustees acknowledged the importance of considering the impact of any decision about tuition on both current students and short-term access and affordability as well as on future students and the long-term responsibility to maintain high quality degree programs and the overall financial health of the university. There was also discussion about how the university can best manage its costs, given that there are many external factors, such as the uncertainty of state funding, and cost drivers. They also noted the need to fund strategic initiatives like student success programs and the deferred maintenance fund. In response to a question by Trustee Mark Baldwin about enrollment sensitivity across groups of students, Bloomer said that there is greater sensitivity for non-resident undergraduate students than resident undergraduate students. He added that the university continues to monitor international student enrollment, which has been flat nationally.

Trustees observed that Oregon State has lower tuition than most of the peer universities used as comparators. With concerns about inflation, rising costs such as retirement benefits, possible shifts in future enrollment levels, and uncertain

levels of state funding in the future, several trustees leaned toward the slightly larger tuition increase in scenario C. Other trustees highlighted the need to offer competitive tuition rates in the national and international market, along with the very real consequences of tuition rate increases for students today. Trustee Angel Mandujano-Guevera said many students would have to take on additional debt, and others might be in a position of choosing between paying for food and rent or paying tuition if tuition is increased.

After extensive discussion, a motion was made and seconded to recommend to the Board of Trustees that it approve the resolution establishing the academic year 2018-19 and summer 2018 tuition and mandatory fees as provided in Attachment 1, at the rates in Scenario B in Table 1 (3.47% for resident undergraduate students and 2.27% for non-resident undergraduate students). The motion carried.

5. Education/Discussion Items

a. Strategic Financial Opportunities

Due to limited time, this item was deferred to the April 16 telephonic meeting of the Board.

6. Adjournment

With no further business proposed, Chair Schueler adjourned the meeting at 12:33 p.m.

Respectfully submitted,



Jennifer M. Almquist
Assistant Board Secretary