

Outreach and Engagement Plan for Developing FY2018 Tuition Proposals

BACKGROUND

The Board has asked the University to develop more substantial communication and engagement with students about proposals for tuition rates. The Board has also requested being engaged earlier in the development of tuition proposals, including discussions of cost and revenue drivers, the context around particular issues in a given fiscal year, the relationship between the tuition-setting process and the state legislative budget and appropriations process and any important policy or practice changes being considered.

The University's plans for expanded communication and student engagement in tuition proposal development, as well as the principal tuition issues to be considered and the context for the FY2018 budget are reviewed briefly here.

STUDENT ENGAGEMENT IN TUITION PROPOSAL DEVELOPMENT

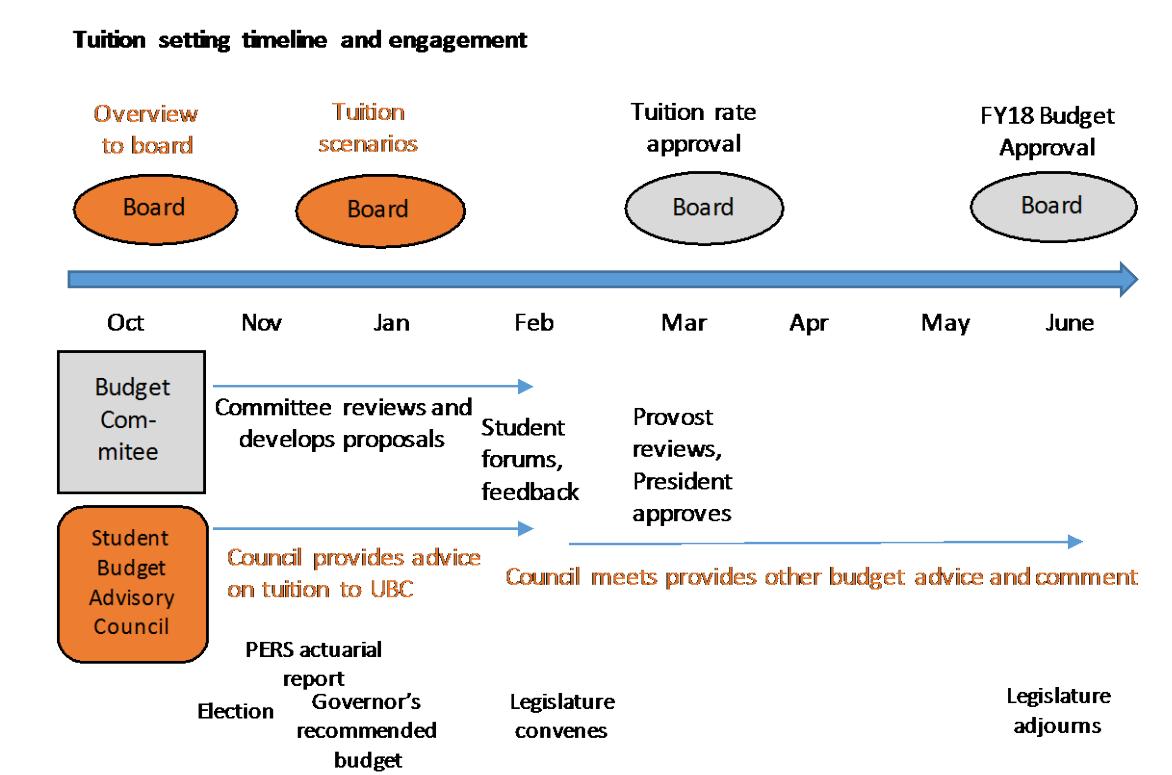
The University Budget Committee (UBC) manages the formal development of tuition proposals provided to the Provost. The UBC includes representatives of student government from the OSU-Cascades and Corvallis campuses and a graduate student recommended by the Graduate School. A strategy for communication about tuition and fee proposals is coordinated with student government and leadership on each campus. Efforts have included open forums, web and social media communications, news releases, purchased advertising in print publications, emails to all students, campus posters, and solicitation of student comment. These activities have historically resulted in engaging participation from only a small portion of the student community. In the coming year, we plan to continue these activities in some form but will be working in closer collaboration with the Office of Student Affairs, to see if we can increase participation and communication of tuition proposals by partnering with student groups, residence hall groups, colleges and others.

To expand student involvement in developing tuition proposals and to provide broader communication about budget issues in general, the Interim Provost and Interim Vice President for Finance and Administration have proposed a Student Budget Advisory Council. This will include approximately 25 students representing each of the 11 academic colleges, the seven cultural centers, and other student groups. The Director of Budget and Fiscal Planning and a student elected by the membership will chair the council. The council is advisory to the UBC. It will provide comment and ideas about tuition rates and other budget issues to the UBC and assist in providing communication to their peers and student constituencies. The plan is to have the council meet monthly.

The membership of the council was designed to provide connections to many of the major student communities on campus. The goal is for the council members to communicate with their peers in those communities about the issues discussed at the council and bring questions and concerns from their peers to the council. The group will also be asked to help the University design more effective strategies for communicating with the larger student body about issues regarding tuition and fee rates. We expect these strategies to evolve and grow over time.

The working proposal with some detail on the council's charge and the tentative schedule is included in Attachment 1. In future years, the council will be appointed in Spring term so it can

begin work on tuition and budget discussions before summer break arrives. The work of the council would and other engagement activities are showing in the figure below. The schedule will be somewhat more compressed this year as it is the first year of the council's work.



TUITION ISSUES FOR THE CURRENT YEAR

The University Budget Committee will consider a number of issues this year including implementation of the new budget model for the Corvallis campus Education & General (E&G) budget, reviewing the assessment structure for charges to non-E&G funds and developing proposals for tuition policies and rates. Tuition issues, which will include input from the Student Budget Advisory Council, include:

- Finalizing policy recommendations on the use of differential tuition charges and course fees;
- Considering proposals to use per credit hour pricing (as opposed to tuition plateau pricing) for some professional graduate programs;
- Aligning graduate tuition structures between Ecampus and face-to-face courses; and
- Developing tuition rate recommendations for 2017-18 considering:
 - Access and affordability for all students,
 - Projected increases in retirement costs (some more detail in the next section),
 - Possible 7-12% reduction in state funding of current service levels, and
 - Meeting existing contractual agreements, providing competitive compensation for faculty and staff, and continuing progress on student success, diversity, and inclusion initiatives.

BUDGET CONTEXT FOR FY2018 AS IT AFFECTS TUITION PLANNING

The latest analysis of the rates for OSU's required participation in Oregon's Public Employee Retirement System (PERS) show increases of about 12% at the beginning of each of the next three biennia (i.e., 2017-23). The large rate increases reflect the unfunded liability of the program arising from low market returns and a judicial decision overturning PERS reforms enacted by the 2015 legislature. OSU is projecting an overall increase in all benefit costs of about 7-8% for 2017-18 or a total of about \$8.2M for the Corvallis campus.

Other anticipated cost increases for 2017-18 include 3% average salary increases for faculty and staff and 2% increases for graduate assistants. There has been progress on OSU's salary structure for faculty. Yet, salaries for full professors still lag behind OSU's peer universities, and it is an important strategic investment to keep the salary structure competitive. Salary cost increases total about \$7.8M. Costs for services and supplies are modeled to increase about 2.5% or \$3.1M. This amount may be less, based on current trends in annual inflation. The total increase modeled for maintaining existing programs and people is currently about 3.7% or \$19.4M for the Corvallis campus. OSU-Cascades and the Statewide Public Services would see similar percentage increases.

This scenario does not include the cost of serving additional enrolled students either on-campus or through Ecampus. Enrollment growth comes with some costs for new staff, equipment and materials to deliver the same quality program to a larger number of students. Enrollment growth does provide some net revenue increases (depending on the type of student) that help offset other cost increases. The 3.7% total modeled increase also does not include new investments in the student success initiatives. The enrollment growth and initiative costs will be considered as part of the context for the University Budget Committee in considering tuition proposals.

An additional complication for the 2017-18 budget is that the current budget projection for the state, absent any new tax or other revenue sources, will be \$1.4B short of sustaining the current service level (CSL). If that proves to be the case, history would suggest that public universities will see a budget that is about 7% less than 2015-17 funding and 11-15% less than funding for the state's share of current services. This puts additional strain on other revenue sources and cost containment strategies.

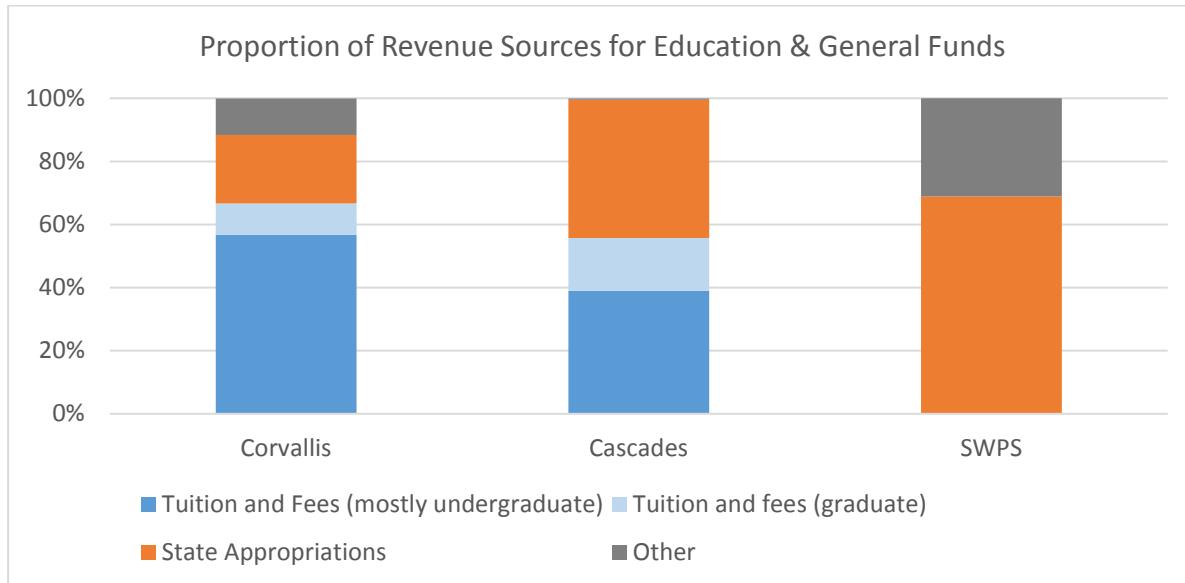
The budget for the 2017-19 biennium is also highly dependent on the passage or defeat of Ballot Measure 97, a tax on corporations' revenues in excess of \$25 million annually. If passed, for the first biennium, the Legislative Revenue Office (LRO) estimates this measure will generate approximately \$3 billion annually in new revenues. The LRO also estimates that the revenues stream created by the tax will decline in future biennia. As a result, it may be difficult for the legislature to sustain any new programs funded by these revenues over the long term. In order to be adequately prepared to manage the convergence of cost increases and decreases in appropriations, we are proceeding under the assumption that the measure may not pass. The overall timeline for developing and adopting the 2017-19 State Budget is provided in Attachment 2.

There are three broad strategies for addressing the expected cost increases and possible cut in state funding:

1. reduce or control cost increases for existing programs where possible;
2. reduce or eliminate programs or services to reduce operating costs; and
3. increase net revenues.

Opportunities for the first two are under discussion. The third is the strategy that affects tuition rates and for which some additional context is included here.

Education & General funds are directly dependent on state appropriations and tuition revenues, but the relative impact is different across the three E&G operations:



SUMMARY AND NEXT STEPS

This discussion shows that when it is decided that additional revenues are important to the strategic and financial goals of the University, tuition is the largest part of those revenues for Corvallis and Cascades, and the largest part of any tuition revenue change is from undergraduate students.

It will continue to be important for the University to develop a meaningful engagement plan with students as we continue to balance access to affordable higher education against declining state appropriations while continuing to deliver high-quality programs that equip students to compete. Under this proposed plan, the University Budget Committee and the Student Budget Advisory Council would begin meeting in October to work on developing tuition scenarios, which will be discussed with the Finance & Administration Committee at the January 2017 meeting.

ATTACHMENT 1: Proposal for a Student Budget Advisory Council**Oregon State University Student Budget Advisory Council**

The Interim Provost and the Interim Vice President for Finance and Administration propose sponsoring a *Student Budget Advisory Council* to serve as a source of student advice and perspective on tuition and fee setting.

Council Purpose

The purpose of the Student Budget Advisory Council is to improve communication between students and the administration about issues regarding university finances and budgeting. The council provides an opportunity for students to learn about the operations of the university and its finances; to provide ideas and perspectives; and to increase communication between various student communities and the university administration on matters relating to university budget and financial planning.

The council will work to:

- Increase student engagement and input in key budget decisions such as the setting of tuition rates and policies;
- Increase student knowledge about how the university's finances work, where different kinds of revenues come from and how they are used and what the short- and long-term financial challenges for the university community are; and
- Improve the communication network between various student communities and OSU leadership and the University Budget Committee so that a broader range of perspectives on issues are more widely shared and understood.

Council Activities and Role

The council will meet three times during fall and winter quarters and twice in spring quarter. Meeting times will be set in consultation with membership to identify a time that allows the greatest participation. Topics for discussion will include:

- Overview of and reporting on the university budget, information on structure and functioning of the budget
- Projections for the next fiscal year and principal contributors to cost and revenue changes
- Tuition strategies, rates, and policies
- Advisory Council recommendations to the University Budget Committee as part of the development of tuition and fee proposals
- State funding levels and state funding requests and legislative updates
- Financial aid amounts and components
- Long-range budget and allocation planning, with particular reference to student concerns
- Long-range capital planning and maintenance and improvement of facilities
- Discussion of current university actions and students' ideas and suggestions to improve access, affordability, and success for students at the university
- Ideas and suggestions to improve budget communications and knowledge among the overall study body

- Other topics as identified by the council.

Council Membership

Council chairs and staff:

- Student representative selected by the membership (co-chair)
- Director of the Office of Budget and Fiscal Planning (co-chair)
- Staff member from the Office of Budget and Fiscal Planning (staff support)

Student Membership (25, including student co-chair) to be appointed for one-year terms with the possibility of renewal:

- Student representatives from each of the 11 academic colleges (11)
- ASOSU University Budget Committee representatives (2)
- Graduate student UBC representative (1)
- Student representative from the international students of Oregon State University (1)
- Student representatives from each of the cultural resource centers (7)
- At-large student representatives invited by the Provost to foster further diversity of student perspectives (3)

The meetings will be open to the public.

Preliminary Council Schedule

This list of topics is intended to illustrate the types of discussions the Advisory Council might have but will be modified when the group convenes. The schedule in future years may change to allow the council to engage in discussions earlier in planning for future years' budgets and tuition rates. The schedule will also be adjusted to provide the best opportunity to engage with the Board of Trustees' discussions on tuition and fee rates.

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| First week of October | Overview of OSU's budget |
| First week of November | Projections for FY2018, state funding, and tuition |
| First week of December | Tuition strategies |
| Second week of January | Tuition continued, comments for the UBC |
| Second week of February | Financial aid, information sharing with student body,
student engagement in tuition? |
| Second week of March..... | Comments for Board of Trustees, Legislative update |
| Last week of April..... | FY2018 budget projections, issues and discussion |
| Third week of May..... | Debriefing, issues for the next year, summer work? |

A summary of each meeting and associated recommendations or questions will be provided to the University Budget Committee. Materials and summaries from each meeting will be posted on the Budget and Fiscal Planning web site.

ATTACHMENT 2: Timeline for developing and adopting the 2017-19 State Budget**January – March 2016**

- Universities develop and submit funding requests to the Higher Education Coordinating Commission (HECC). The OSU Board of Trustees approved both an operating budget and capital projects budget that were included a joint funding request submitted by all seven public universities in March and April.

May – August 2016

- HECC develops an Agency Request Budget (ARB) for all seven public universities, 17 community colleges and state financial aid programs for consideration by the Governor. The HECC adopted its ARB in August 2016, recommending \$943 million in operating funds and \$344 million in capital projects, including the OSU-Cascades expansion.

September – October 2016

- The Governor begins to develop an overall budget to be submitted on December 1 (in the event of her re-election). The proposal may include capital funding priorities.

November 2016

- State and federal elections.

December 2016

- Presuming she is reelected, the Governor issues her Recommended Budget for 2017-19. (If a new Governor is elected the budget proposal is issued in February 2017.)

January 9, 2017

- The legislature convenes, legislators and the Governor are sworn in, and committees are designated and organized. After three days of initial meetings, the legislature recesses until February 1 to enable bills to be referred to committees.

February 2017

- The legislature reconvenes
- The Oregon Office of Economic Analysis issues the March revenue forecast, which is used by the co-chairs of the Joint Ways & Means Committee to develop the Co-Chairs' Budget, a revision of the Governor's December budget proposal.

March, 2017

- The co-chairs issue their budget proposal.

April 2017

- The Joint Ways & Means Subcommittees hold hearings on the higher education operating budget.
- OSU Lobby Day (April 20).

May 2017

- The Joint Ways & Means Subcommittee on Capital Construction holds hearings on the capital budget.
- Oregon Office of Economic Analysis issues the May revenue forecast which is used by the co-chairs of the Joint Ways & Means Committee to develop the Legislatively Approved Budget.

June 2017

- The Joint Ways & Means Committee completes its work on both the operating and capital budgets.

July 2017

- The legislature adjourns by July 9.