To: Jayanth Banavar, Senior Vice President and Provost

From: Jamie Moffitt, Vice President for Finance & Administration and CFO, TFAB Co-Chair, and
Brad Shelton, Executive Vice Provost for Academic Operations, TFAB Co-Chair

Date: February 9th, 2018

Re: Recommendations of the FY18 Tuition and Fee Advisory Board (TFAB)

Cc: Michael Schill, President
Roger Thompson, Vice President for Student Services and Enrollment Management

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This year the TFAB included five students (one graduate and four undergraduate, including the ASUO president, ASUO vice president for external affairs, and ASUO state affairs commissioner), faculty, deans, vice presidents, vice provosts and administrative staff engaged in budgeting, institutional research and financial aid. A list of TFAB members is included at the end of this memo.

The TFAB met eight times, October through February. Fall meetings focused on the university budget, current tuition and fee information, historical and comparative data, a discussion of the campus growth plan, planning for the student forums, and cost drivers. Winter meetings focused on deeper dives into specific proposals for tuition (graduate and undergraduate), course fees, mandatory fees, housing fees, as well as tuition and fee policies. TFAB meetings were open to the public and materials were posted on the university's tuition website (https://uoregon.edu/tuition).

In addition to the TFAB meetings, with ASUO's help, we hosted two student tuition forums in January and February that were well attended. The forums included presentations on the UO's financial position, budget pressures for FY19, and the planned campus growth strategy. Students also participated in small group discussions at each table. Each table discussion was facilitated by a least one TFAB member. Questions and feedback from all small group discussions were compiled and shared with the entire advisory board. A third student forum is being planned for mid-February.

The Communications team helped to update the new tuition website that we launched last year. This website provides information about the university's budget, including Education & General funds (E&G) cost drivers for FY19, as well as comparative and historical information about tuition and fees. The website also provides information about the schedule of TFAB meetings, with links to anticipated agendas and documents from the meetings.

Undergraduate Tuition.

In the current fiscal year, FY18, the Education and General (E&G) fund, which cover the majority of the operations of the academic and administrative functions of the university, are projected to be balanced, with projected revenues approximately equal to projected expenditures. This situation allowed TFAB to analyze the financial position of the institution for the next year, FY19, by combining our known primary cost increases with projected increases in enrollment, state appropriation and tuition. Additionally, because we can project very large cost increases in FY20 and FY22, due to PERS, TFAB's analysis included the possibility of "smoothing" PERS increases year by year, rather than absorbing them in total every other year (biennium)

The TFAB analysis of the financial position was discussed in the context of historical UO tuition increases and comparisons to tuition and fee costs and structures at peer, public institutions.

For FY19, the following major cost increases are projected in the E&G fund:

Cost Driver	Estimated FY19 Cost Increase
Faculty and Staff Salaries and Wages	$9.8 million
GE Salary and Wages	$1.0 million
Medical Costs	$1.8 million
Retirement Costs	n/a
Institutional Costs	$600,000
Strategic Investments (includes $1 million for Clusters of Excellence / New Faculty lines)	$2.0 million
Investments in Tenure Track Faculty	$1.5 million
Total Projected Cost Increases	***$16.7 million***

The total projected cost increases for FY19 are lower than last year ($25 million) due to the fact that the University is not subject to PERS increases this coming year. The $16.7 million projected increase represents a 3.2% increase on the overall E&G budget.

There were two strategic issues that TFAB spent considerable time discussing. They included:

(1) How much of the projected net revenue from the campus growth plan should be assumed when recommending tuition rates for next year; and

(2) Whether to attempt to "smooth" the tuition rate increases necessary to cover the significant expected PERS increases in FY20 and FY22.

Campus Growth: The current enrollment management plan targets the entering freshman class at 4,150 students, compared to 3,850 (fall 2017). If successful, the targeted increase of 300 students is expected to generate approximately $6.6 million of net revenue growth. Although the University has made significant investments in recruiting and applications are significantly higher than last year, universities across the country are all attempting to stabilize or increase student enrollment, and some of the increase we are seeing in applications is likely due to our recent adoption of the "common application." A critical question, therefore, is how much of this growth-related revenue we should rely on and project for next year. After much discussion, members of TFAB felt that it was reasonable to count on a large portion, but not all, of this projected revenue. Thus, final tuition scenarios were discussed assuming somewhere between $4.0 million and $5.5 million of net revenue growth, rather than the targeted $6.6 million.

PERS Smoothing: While the university is not facing PERS increases next year, the PERS Board has informed us that we should expect significant rate increases in FY20 and FY22. The advisory PERS rates that we have received would lead to an increase in retirement costs of approximately $8.9 million in FY20 in the E&G fund. The University will likely face a similar sized cost increase in FY22. A critical question is whether we attempt to "smooth" the impact of these increases over multiple years, rather than simply attempt to cover the PERS increases in the years that they are implemented. If some type of yearly smoothing is not implemented, tuition rates will likely spike over the next few biennia because larger increases will likely be necessary during the first year of each biennium when PERS rates increase. By smoothing the $8.9 million increase over two years we will instead have two consecutive *recurring* annual revenue increases of $4.45 million. The advisory group felt strongly that tuition increases should only be viewed as one of the possible sources of revenue to meet increasing PERS costs. If we are successful with the new campus growth initiative, we are projecting a net revenue impact from growth in FY20 of $10.6 million, $4 million more than the potential FY19 revenue impact of $6.6 million. TFAB discussed applying this extra projected net revenue as an offset to the PERS cost increases. This would lead us to looking to other sources, such as tuition, to cover the remaining $4.9 million PERS gap in FY20 ($8.9 million minus $4.0 million). Smoothing this expected net cost increase of $4.9 million over two years would result in the need to cover approximately $2.45 million each year. Members of TFAB thought that this was a strategic and reasonable approach for addressing this increase.

Proposed Tuition Increase: With these two issues in mind, TFAB is recommending the following undergraduate tuition increase proposal:

- Resident Tuition increase: $6 per SCH increase (2.84%) from $211 per SCH to $217 per SCH. Increases tuition on a full time annual basis to $9,765 ($270 increase)

- Nonresident Tuition increase: $18 per SCH increase (2.49%) from $723 per SCH to $741 per SCH. Increases tuition on a full time annual basis to $33,345 ($810 increase)

This tuition increase proposal, setting aside 10% of new revenue for fee remissions as is our standard practice, is expected to generate approximately $8.5 million of incremental revenue (calculated at undergraduate enrollment levels identical to this academic year). It is important to note that incremental tuition revenue from campus growth is not included in this figure, but the figure does include an approximation of incremental revenue from summer tuition. In the table below we provide an overview of all cost drivers (including PERS), the expected revenue generated from the proposed tuition increase, additional revenue generated from the proposed tuition increase, additional revenue potentially generated from campus growth, and projected state revenue.

The following is a breakdown of the analysis discussed by TFAB:

Expected FY19 Major Cost Drivers	$16.7 million
Additional Cost to Cover PERS smoothing	$2.45 million
Subtotal Cost Increase	$19.15 million
Expected Revenue Increase – Tuition Increase	$8.54 million
Expected Revenue Increase – Campus Growth	$5.5 million (of $6.6 million target)
Expected Revenue Increase – State Appropriation	$2.3 million
Subtotal Revenue Increase	$16.34 million
Remaining Funds Needed (e.g., from graduate revenue growth, savings initiatives, etc.)	$2.81 million

Finally, TFAB explicitly discussed the risk that revenue from the campus growth initiative may fall short of $5.5 million. If, for example, we only achieved $4.0 million of incremental revenue from campus growth, it is unlikely that we would be able to implement PERS "smoothing" to prevent significantly higher tuition increases in FY20 when the PERS costs increase dramatically. Moreover, the committee discussed the fact that our overall projections, including tuition increases and growth, still leaves a deficit of approximately $2.81 million. Some committee members felt that it was appropriate to have a "gap" that the institution looks to cover through means other than tuition increases for students.

Business School Differential Tuition.

In 2017 the Lundquist School of Business (LCB) proposed a possible differential tuition structure. That proposal was ultimately tabled so that the institution could have a more robust discussion of differential tuition in general. This year, LCB brought forth a substantively revised proposal for differential tuition designed to generate revenue to cover critical investments in tenure track faculty, student advising and counseling services. The primary differences between this proposal and the one discussed with TFAB last year are: (1) the size of the total differential tuition being proposed has been reduced, and (2) the differential tuition would be charged per course to all students taking business school classes. There would be no differential tuition applied by term based on a student's major.

TFAB discussed this proposal over four meetings, two of which were attended by Business School leaders. After much discussion, there was not agreement among members of the Tuition and Fee Board about whether to recommend differential tuition for the Business School to the Provost.

Members who supported the differential tuition proposal felt that it was appropriate for the following reasons:

- The Business School has a clear need for additional funds to support operations. The funding being requested would support additional tenure track faculty lines and increased advising and counseling services for students.

- The Business School's most recent accreditation report highlighted the fact that the school must hire more tenure track faculty ("research active" faculty) in order to be within accreditation standards.

- The accreditation report also highlighted the fact that the school needs to increase support services for students, particularly around advising and professional counseling, in order to provide services more in line with peer business schools.

- The current proposal was developed and restructured after receiving feedback from students last year and this year. This year, the LCB administration met to discuss the idea of differential tuition with about 35 student leaders, who were generally supportive of the idea.

- The proposal includes permanently dedicating 10% of the funds received to scholarships (per standard UO policy) plus an extra 10% (year one) and 5% (year two) in order to address additional support for students who are already pursuing a business major. The Director of Financial Aid was able to assure that the 10% standard set-aside of funds would be more than sufficient to cover all increased costs related to Pathways students.

- A market review of peer institutions shows that the majority of business schools, including Portland State and Oregon State, charge differential tuition.

- If differential tuition is not approved, many of the required investments (e.g., faculty lines) would need to be covered either by raising tuition generally for all undergraduates or reducing hiring in the other schools and colleges. It seems more appropriate to directly charge the students who will be benefiting from the additional investments in faculty and advising services.

However, during the discussion of the policy, other members of TFAB, including most of the students involved in the discussion, raised the following concerns:

- Concern that the differential tuition will create economic barriers that impact accessibility to this degree. In particular, there was concern about how the additional tuition differential will affect access for women, students from diverse backgrounds, and students of lower economic means.

- Concern that approving this proposal will open the floodgates for other schools and colleges to propose differential tuition. This could lead to a situation where students are selecting majors based on cost, not interest.

- Concern that the University does not have a differential tuition policy that clearly states the criteria and process that should be used to evaluate whether differential tuition is appropriate for a particular school or college. ASUO representatives on TFAB pointed out that the Oregon University System (OUS) used to have a differential tuition policy that outlined the criteria that would be used to evaluate differential tuition proposals (e.g. financial aid requirements, level of student engagement, etc.).

- Concern that some of the services that the Business school would like to augment (e.g., advising services) also need to be augmented in other parts of the University. Is it fair that only those units that have markets that support higher tuition will be able to provide these services?

- Concern that not enough students were consulted as part of the proposal generation process. Business School leadership had a discussion with approximately 35 students who lead all of the business school student groups. They did not survey the business school student population more generally. ASUO leadership participating in TFAB pointed out that they were concerned that this level of student engagement would not have satisfied the old OUS differential tuition policy related to this requirement.

- Concern about ensuring that if non-business school majors are paying the differential tuition that they have access to all business school advising and counseling services.

Graduate Tuition.

As usual, the deans were asked to provide their recommendations for graduate tuition increases. Those increases were reviewed and discussed by the advisory board. With two exceptions, the graduate tuition increases range from 0% to 4.6%. Additionally, several existing graduate programs will be moving their operations from Academic Extension to main university operations. These programs will appear as new tuition tables, but their actual tuition increases are modest. These programs include: The Knight Campus Internship Program, the Oregon Executive MBA and the Sports Product Management program.

The College of Design is restructuring tuition for many of their graduate programs in order to more specifically charge tuition that is appropriate for various fields based on market data. This is resulting in some tuition rates dropping dramatically (e.g., the non-resident art rate is dropping 39.4%) while others are going up significantly (e.g., the non-resident historic preservation rate is going up 15.4%). While the discussion at TFAB was generally supportive of this attempt to better align rates with comparator programs, some concern was expressed about whether the higher rates would impact student enrollment. However, college leadership does not believe that this will occur.

The School of Journalism and Communication is proposing to keep most of their graduate rate increases at 3.0% or less, however, they have two higher proposed increases – resident rates for their Strategic Communication and Multimedia programs are proposed at 6.1%. The School noted three rationales for this increase: (1) they did not increase tuition rates last year, (2) they are planning to narrow the gap between resident and non-resident tuition rates in order to be more competitive in the non-resident student market, and (2) their rates will still be below many of the peer schools, some of whom charge the same tuition rate for residents and non-residents.

The TFAB is forwarding these increases on to you for your consideration and recommends that they be adopted without change. The graduate tuition increases are detailed in the attached spreadsheet.

Fee Increases for Existing Mandatory Fees.

The advisory board reviewed all of the early projections that were available for mandatory institutional fees, with the exception of the Incidental Fee (which runs through the ASUO process). There were no significant concerns about the proposed increases for existing fees.

The recommendations are as follows:

- Building Fee - no increase
- Health Service Fee - $7 increase per term from $191to $198 (3.66%)
- Rec Center Bond Fee - no increase
- Rec Center Fee – no increase
- EMU Fee - no increase

The incidental fee proposal is developed by ASUO and does not run through TFAB review. ASUO leadership has shared that they are proposing that the incidental fee increase $12 per term from $238.50 per term to $250.50 per term (5.0%).

Off-Campus Fee Structure.

TFAB is recommending that a new fee structure be put in place for students studying away from the Eugene Campus as they do not have regular access to all of the services and facilities funded with mandatory fees. TFAB also recommends small changes in the fee structure for students who are studying in either Portland or at the Oregon Institute of Marine Biology in Charleston.

Following is the proposed structure to charge off campus students reduced rates:

2018-19 Academic Year Fee Structure				
	Eugene Campus	*Portland Campus*	*Charleston Campus*	*Off-campus Site*
Building Fee	45.00	45.00	45.00	45.00
Incidental Fee[1]	250.50	125.00	125.00	125.00
Health Service Fee[2]	198.00	141.00	198.00	
Recreation Center Bond	38.00			
Recreation Center Fee	62.50			
EMU Fee	67.00			
Technology Fee	50.00	50.00	50.00	50.00
Total Fees	**711.00**	**361.00**	**418.00**	**220.00**
(1) Projected 2018-19 rate.				
(2) The Health Fee for the Eugene campus is the proposed 2018-19 rate. Portland campus is the 2017-18 rate.				

Other Costs of Education Reviewed.

The advisory board reviewed major changes to proposed course fees, as well as projections on housing costs for FY19. No significant course fee issues were identified in the discussion with TFAB. Housing presented its proposed rates for FY19 to the TFAB. They continue to prioritize a rate structure that keeps the cost of room and board for over 2,000 rooms (close to 50% of their inventory) below $10,000 per year. The rates for the lowest priced rooms are based on students selecting a dining option which provides all-you-can-eat cafeteria-style meals at Carson dining hall. Rates for rooms with the all-you-can eat cafeteria style meal plan are going up approximately 1% in FY19. All other room and board rates are going up approximately 4.1%.

Members of the Tuition and Fee Advisory Board.

Jim Brooks	Assistant Vice President, Director Financial Aid
Imani Dorsey	ASUO State Affairs Commissioner / Undergraduate Student
Ali Emami	Senior Instructor of Finance and Chair of Senate Budget Committee
Vickie Gimm	ASUO External Vice President/Undergraduate student
Abi Iliesi	Undergraduate student
Andy Karduna	Associate Dean, Graduate School and Professor of Human Physiology
Christoph Lindner	Dean and Professor, College of Design
Stuart Laing	Director of Budget Operations
Jamie Moffitt	Vice President for Finance & Administration & CFO
JP Monroe	Director, Institutional Research
Chris Murray	Professor Special Ed and Clinical Services
Allison O'Shaugnessy	Graduate student
Amy Schenk	ASUO President/Undergraduate student
Phillip Scher	Divisional Dean of Social Sciences, CAS
Doneka Scott	Associate Vice Provost for Student Success
Brad Shelton	Executive Vice Provost for Academic Operations
Kathie Stanley	Associate Vice President & Chief of Staff