

To: Scott Coltrane, Senior Vice President and Provost

From: Brad Shelton, Senior Vice Provost for Budget and Strategic Planning, TFAB co-chair, and Jamie Moffitt, Vice President for Finance and Administration & CFO, TFAB co-chair

Date: February 8th, 2017

Re: Recommendations of the FY17 Tuition and Fee Advisory Board

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

This memo follows up on the conversations that we have had with you regarding the recommendations of the Tuition and Fee Advisory Board (TFAB).

This year the TFAB included five students (one graduate and four undergraduate, including the ASUO president and ASUO vice president for external affairs), 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 seven times, November through February. Fall meetings focused on research, current tuition and fee information, comparative data, planning for the student forum, and budget pressures (known and anticipated). 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 Institutional Research website (http://ir.uoregon.edu/tuition_fee_board).

In addition to the TFAB meetings, we hosted a student tuition forum in mid-January that was well attended. The forum included presentations on the UO's financial position, budget pressures for FY18, and the state's budget processes. Students also participated in small group discussions at each table. These table discussions were each facilitated by a least one TFAB member. Questions and feedback from all small group discussions were compiled and shared with the entire advisory board. The ASUO hosted a second student tuition forum with participation from members of the Board of Trustees in early February.

The Communications team helped to launch a new tuition website this year. This website provided information about the university's budget, including Education & General funds (E&G) cost drivers for FY18, as well as comparative and historical information about tuition and fees. The website also provided information about the schedule of TFAB meetings, with links to anticipated agendas and documents from the meetings.

Undergraduate Tuition:

The TFAB spent considerable time reviewing and discussing the major cost drivers expected to affect the E&G fund next year. We also reviewed data regarding historical tuition increases, as well as comparative tuition and fee costs for other institutions.

The group had a very difficult task this year, given the significant increases expected in the E&G fund in FY18 (\$25 million recurring) and the fact that the Governor's Recommended Budget (GRB) of flat funding for the Public University Support Fund (PUSF) fund would result in a \$2 million to \$2.5 million cut to UO state operational funding for FY18.

For FY18, the following major cost drivers are projected in the E&G fund:

Cost Driver	Estimated FY18 Cost Increase
Faculty and Staff Salary and Wages	\$11.0 million
GTF Salary and Wages	\$800,000
Medical Costs	\$1.6 million
Retirement Costs	\$7.1 million
Institutional Expenses	\$1.0 million
Strategic Investments (includes \$1 million for new faculty)	\$2.0 million
IT Infrastructure Investments	TBD
Increase to Minimum Wage	TBD
Investments in Tenure Track Faculty	\$1.5 million
<i>Total Known Projected Cost Increases</i>	<i>\$25.0 million</i>

The GRB that was released in December "flat funded" the PUSF at \$667 million. Given that biennial funding is split, 49% in the first year and 51% in the second year, this would result in a cut to UO of approximately \$2.0 - \$2.5 million in FY18. In mid-January, the co-chairs of the Ways and Means Committee released their first budget. It did not provide details at the level of the PUSF, but was very similar to the GRB in that it held the entire budget for all of higher education (community colleges, universities, Oregon Promise, etc.) relatively flat. For purposes of tuition planning, the TFAB decided to use the GRB as a starting point.

The group had many discussions about how the large gap would necessitate a very substantial tuition increase and would still result in a large gap between projected revenue and costs, thus necessitating very significant cost-cutting initiatives as well. Given that over 80% of E&G funds are spent on people (salaries and benefits), the committee discussed the reality that cost-cutting initiatives would inevitably lead to reductions in jobs.

Other important factors that contributed to the advisory board's final recommendation included acknowledgement that:

- Non-resident tuition rates are already at, or slightly above, market, raising concerns that if non-resident tuition were increased significantly, the institution could see a drop in total revenue from non-resident tuition due to reduced student demand;
- The state budget process creates significant uncertainty for the university budget. Many advisory board members expressed a desire to create a contingent tuition recommendation that adjusts resident tuition rates based upon the ultimate level of funding provided to the PUSF.

The advisory board also discussed creating a tuition proposal this year that recommends raising resident and non-resident tuition rates by equal dollar amounts.

Given these factors, the undergraduate tuition increase proposal that we recommend is the following:

- Undergraduate resident tuition - a \$21 increase per student credit hour (SCH). This will increase resident tuition from \$198/SCH to \$219/SCH, an increase of 10.6%. Total annual resident tuition (for 45 credits) would increase by \$945, to \$9,855.

- Undergraduate non-resident tuition - a \$21 increase per SCH. This will increase non-resident tuition from \$702/SCH to \$723/SCH, an increase of 3.0%. Total annual non-resident tuition would increase by \$945 to \$32,535.

The recommended tuition proposal is estimated to generate \$15.7 million, which includes an estimate for increased summer term revenue and also sets aside the standard level of additional funds for tuition remissions. The TFAB is also recommending a new technology fee, described below, that will generate an additional \$3 million per year for the institution. This leaves a projected gap of approximately \$8.8 million that will need to be filled through other initiatives, primarily expected to be cost-cutting.

The recommended tuition proposal assumes that the PUSF is funded at the GRB level of \$667 million. If the state legislature is able to increase the level of PUSF funding, the TFAB recommends the following adjustments to resident tuition:

PUSF Funding Level	Recommended Resident Tuition Dollar Increase per	Recommended Tuition Increase Rate
GRB	\$21 / SCH	10.6%
At least GRB + \$20 million	\$19 / SCH	9.6%
At least GRB + \$40 million	\$17 / SCH	8.6%
At least GRB + \$60 million	\$14 / SCH	7.1%
At least GRB + \$80 million	\$12 / SCH	6.1%
At least GRB + \$100 million	\$10 / SCH	5.1%

Under normal circumstances, the Clark Honors College differential tuition is increased by the same percentage by which *resident* undergraduate tuition is increased. Due to the uncertainty of the final increase in resident tuition proposed above, after discussions with Honor's College leadership, we recommend that the Clark Honors College (CHC) differential tuition increase by \$120 per term, an increase of 9.4%. Due to timing issues, we were not able to vet this recommendation with the full TFAB, but it is the closest we can come to a viable version of the standard for CHC differential tuition increases.

By standard practice, summer tuition rates increase by the same percentage (to the nearest whole dollar, and calculated at 12 SCH) as the rate increase applied to the *preceding* academic year.

Differential Undergraduate Tuition:

The Lundquist College of Business presented a proposal to the TFAB for differential tuition for undergraduate business majors. The proposal would have charged differential tuition to business majors on a per term basis to reflect the higher cost of faculty and student services at the business school. Students at the business school were generally supportive of the idea of differential tuition, but indicated that they preferred a course fee rather than a per term fee. Feedback from the TFAB on the proposal mainly focused on ensuring that the business school set aside enough money for additional fee remissions to provide financial support for students. After the TFAB presentation, business school leadership met with the president and provost to discuss the proposed differential tuition. It was determined that additional work should be done on the proposal and that it should not move forward for FY18. The issues under consideration (e.g., how to best structure the differential tuition) were not discussed further by the TFAB.

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 4.0%.

The first exception is a 5.9% increase in resident and a 9.3% increase in non-resident graduate tuition for studio programs in the School of Architecture and Allied Arts (AAA). These increases represent the second year of implementation of a market-based adjustment that was discussed with the Board of Trustees last spring. The AAA studio program tuition increase is accompanied by a new tuition model providing guaranteed tuition to studio students over the course of their degree program. These guarantees will be realized through school-controlled tuition remissions. Analysis suggests that the AAA non-resident studio program tuition (including Architecture) is well below the market.

The second exception is for a newly restructured fifteen-month Master of Finance degree in the business school. The business school would like to offer this program at a new, flat, all-inclusive rate of \$35,000 for residents and \$45,000 for non-residents. College leadership believes that this is the best way to market this new program. The advisory board was generally supportive of the proposed pricing for this new program, however, there was discussion about the details (e.g., that the fee structure for students in this program who wished to cross-register into other classes would need to be clarified).

The TFAB is forwarding these increases on to you for your consideration. 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, including the Incidental Fee. There were no significant concerns about the proposed increases for existing fees. The recommendations are as follows:

Building Fee - no increase

Health Service Fee - increase from \$173.75 to \$183.00 (5.3%)

Rec Center Bond Fee - no increase

Rec Center Fee - increase from \$59.75 to \$62.50 (4.6%)

EMU Fee - no increase

The Health and Counseling Centers have seen a dramatic increase in demand for student mental health counseling services over the last few years. This fee increase will help the department to provide critical services to students.

When he presented information about the Health Service Fee, Vice President Roger Thompson shared with the TFAB that it was possible that they would propose a further increase to the Health Service Fee related to the potential expansion of the Health Center building. This decision was dependent upon the outcome of discussions between the president, the ASUO president and Vice President Thompson. The issue was not resolved prior to the TFAB's final meeting on February 3rd.

We do not have a final recommendation from the ASUO at this time on the Incidental Fee, although the ASUO leadership is working to keep the fee increase at approximately 2%.

New Technology Fee:

The TFAB reviewed a proposal for a new mandatory technology fee of \$50 per term. The purpose of this new fee is to pay for the critical, recurring investments in technology needed to keep campus technology infrastructure running. Last year, these investments were funded with tuition revenue. On an ongoing basis, it seemed more equitable to charge for these investments on a fee basis, as the technology support is being provided to all students, regardless of residency status or the number of credits they are taking. Research shows that the majority of AAU public institutions charge a technology or computer fee, the average of which is \$340 per year. The advisory board discussed setting aside funds for additional fee remissions for students to help cover this new fee. The \$50 fee is projected to generate approximately \$3 million after \$300,000 in additional financial aid remissions has been set aside.

Other Costs of Education Reviewed:

The advisory board reviewed major changes to proposed course fees, as well as early projections on housing costs for FY18. Feedback was provided on a handful of individual course fees and this was incorporated into the Special Fees, Fines and Penalties process. Housing presented its proposed rates for FY18 to the TFAB. They have made changes to their rate structure that enabled them to lower the cost of room and board for over 2,000 rooms (close to 50% of their inventory) to 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.

Members of the Tuition and Fee Advisory Board:

Jim Brooks, Assistant Vice President and Director, Financial Aid
Andrew Dunn, ASUO External Director of Staff, undergraduate student
Taylor Eldridge, undergraduate student
Ali Emami, Senior Instructor I of Finance
Rebecca Falleur, undergraduate student
Natalie Fisher, ASUO External Vice President, undergraduate student
Lisa Freinkel, Vice Provost & Dean of Undergraduate Studies
Jeff Gish, graduate student
Quinn Haaga, ASUO President, undergraduate student
Randy Kamphaus, Dean of the College of Education
Stuart Laing, Director of Budget Operations
Christoph Lindner, Dean of the School of Architecture and Allied Arts
Andy Marcus, Professor of Chemistry
Jamie Moffitt, Vice President for Finance and Administration & CFO
JP Monroe, Director of Institutional Research
Scott Pratt, Dean of the Graduate School
Brad Shelton, Senior Vice Provost for Budget & Strategic Planning
Carol Stabile, Associate Dean for the Social Sciences
Kathie Stanley, Associate Vice President & Chief of Staff, Division of Student Life