The Size of Campus – Considerations and Analyses

Friday, September 8th, 2017

Board of Trustees of the University of Oregon
Agenda

• Cost Drivers
• Tuition Revenue
• Potential Ways to Close the Gap
• Campus Growth
Agenda

• Cost Drivers

• Tuition Revenue

• Potential Ways to Close the Gap

• Campus Growth
## Cost Drivers

### E&G Fund

<table>
<thead>
<tr>
<th>Annual Typical Cost Drivers</th>
<th>FY17-FY18 Average Cost Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty and Staff Salary and Wages</td>
<td>$9.3M</td>
</tr>
<tr>
<td>GE Salary and Benefits</td>
<td>$1.1M</td>
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<td><strong>Total Project Cost Increases</strong></td>
<td><strong>$17.0M</strong></td>
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- However, these totals do not include rising PERS costs.
Cost Drivers

PERS Costs

<table>
<thead>
<tr>
<th>Projected Increases</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>E &amp; G Fund</td>
<td>$7.1M</td>
<td>$0</td>
<td>$7.1M</td>
<td>$0</td>
<td>$7.1M</td>
</tr>
<tr>
<td>Other</td>
<td>$3.4M</td>
<td>$0</td>
<td>$3.4M</td>
<td>$0</td>
<td>$3.4M</td>
</tr>
<tr>
<td>Total</td>
<td>$10.5M</td>
<td>$0</td>
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If PERS unfunded liabilities continue to grow, charges to the University of Oregon could grow significantly in future years.
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### E&G Fund

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</tr>
<tr>
<td>Retirement Costs ($7.1M every other year)</td>
<td>$3.5M</td>
</tr>
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<td><strong>Total Project Cost Increases</strong></td>
<td><strong>$20.5M</strong></td>
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Agenda

• Cost Drivers

• Tuition Revenue

• Potential Ways to Close the Gap

• Campus Growth
Tuition Revenue

In FY17, 80.6% of net tuition came from non-resident students.
Tuition Revenue

Undergraduate Tuition Revenue and Enrollment

Net Undergraduate Tuition Revenue (in millions)

2016-17 Undergraduate Enrollment by Residency

Residency
- Resident
- Nonresident

Nonresident
- 9,249
- 45.1%

Resident
- 10,818
- 53.9%
Tuition Revenue

AAU Publics
2016-17 Tuition and Fees Resident Full-time Undergraduate

Source: AAUDE Tuition and Fees.
Tuition Revenue

AAU Publics
2016-17 Tuition and Fees Nonresident Full-time Undergraduate

Oregon $33,442

Average: $33,179

Source: AAUDE Tuition and Fees.
Tuition Revenue

For each 1% increase in undergraduate tuition, overall revenue increases*:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident</td>
<td>$800k</td>
</tr>
<tr>
<td>Non-resident</td>
<td>$2.5M</td>
</tr>
</tbody>
</table>

*Totals account for fee remissions and summer revenue
# Tuition Revenue

- Annual E&G Cost drivers likely to be around $20.5M

## Non-resident Tuition Rate Increase

| Percent Increase (Per Student Annually) | 2.0%  
($650) | 2.5%  
($813) | 3.0%  
($976) | 4.0%  
($1,301) | 5.0%  
($1,627) |
|----------------------------------------|---------|---------|---------|---------|---------|
| 2.0%  
($190) | $6.6M   | $7.8M   | $9.1M   | $11.6M  | $14.1M  |
| 3.0%  
($285) | $7.4M   | $8.6M   | $9.9M   | $12.4M  | $14.9M  |
| 4.0%  
($380) | $8.1M   | $9.4M   | $10.6M  | $13.2M  | $15.7M  |
| 5.0%  
($475) | $8.9M   | $10.1M  | $11.4M  | $13.9M  | $16.5M  |
Agenda

• Cost Drivers

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Potential Ways to Close the Gap

- New and Expanded Graduate Programs

  - Expanded graduate revenue from programs in Business, Journalism and Design launched

  - After accounting for necessary teaching and administrative costs, new net revenue from all programs likely to be around $1 million
Potential Ways to Close the Gap

• Further Cost Cutting / Efficiencies
  – Historical Cost Cutting already incorporated into budgets:
    • FY17 Administrative Cuts - $3.0M
    • FY17 CAS Cost Cut - $3.3M
    • FY18 Presidential Directed Cuts- $4.5M
    • FY15 - FY18 Efficiencies Savings - $8.8M one time; $4.6 M - $5.6M recurring

  – University will continue to actively look for ways to operate more efficiently
Potential Ways to Close the Gap

Comparison of Faculty per 1,000 Students

University of Oregon
Faculty per 1000 Students: 69.4
or 75.1% of the AAU Mean

Average: 92.4

Note: The ratio of faculty to students is based on faculty FTE to student FTE.
Source: IPEDS Human Resources and Enrollment (FY2016).
Potential Ways to Close the Gap

Comparison of Staffing per 1,000 Students

Noninstructional (Nonmedical) Staff per Students

University of Oregon
Staff per 1,000 students: 119.4
or 65.4% of the AAU Mean

Average: 182.5
Potential Ways to Close the Gap

• Expand Online Education
  – College of Arts and Sciences (CAS) currently developing online options for current courses
  – TBD, but will require significant upfront investment
  – Coordination of online education assigned to Provost office and investment funds identified
Agenda

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Campus Growth

UNIVERSITY OF OREGON
Undergraduate Enrollment by Residency

Residency
Nonresident UO
Resident UO

20,000
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0


13,762 13,369 13,426 14,086 15,121 16,047 15,985 16,358 16,475 16,536 16,681 17,628 18,514 19,534 20,631 20,829 20,808 20,669 20,852 20,067

4,448 3,867 3,669 3,710 3,776 3,936 3,756 3,898 4,021 4,219 4,826 5,450 6,178 7,294 8,177 8,713 9,113 9,278 9,475 9,249

9,314 9,501 9,757 10,375 11,345 12,108 12,229 12,460 12,454 12,317 12,055 12,189 12,330 12,270 12,464 12,116 11,695 11,291 11,077 10,818

## Campus Growth

### Financial Impact of Growth

<table>
<thead>
<tr>
<th></th>
<th>Resident</th>
<th>Non-Resident</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Additional New Students</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Tuition Per Student</td>
<td>$9,495</td>
<td>$32,535</td>
</tr>
<tr>
<td><strong>Gross Tuition Revenue</strong></td>
<td><strong>$854,550</strong></td>
<td><strong>$2,928,150</strong></td>
</tr>
<tr>
<td><em>(Net of fee remissions)</em></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

These totals represent gross revenue and do not account for costs.
Campus Growth

– Assumed Growth – adding 3,000 students over a period of eight years

– Necessary investments
  • Recruiting
  • Classroom/Faculty Office Building
  • Additional new residence hall
  • Variable Costs
Recruiter Locations: Fall 2017 Cycle
Three Regional Recruiters

- Oregon
- California
- Nevada
Recruiter Locations: Fall 2018 Cycle

Eight Regional Recruiters and increased national recruitment activities

Staff added in state
Staff increasing presence in this state (number of days and/or range of events)
Campus Growth

– Assumed Growth– 3,000 students over a period of eight years

– Necessary investments
  • Recruiting
  • Classroom/Faculty Office Building
    • Minimum of 45,000-60,000 gross square foot building needed to support classroom and faculty offices for student growth
  • Additional new residence hall
  • Variable Costs – additional investments related to cost of education after the first 750 new additional students
## Campus Growth

### Financial Projections

<table>
<thead>
<tr>
<th></th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entering Freshmen</td>
<td>4,150</td>
<td>4,450</td>
<td>4,450</td>
<td>4,500</td>
<td>4,675</td>
<td>4,775</td>
<td>4,850</td>
<td>4,900</td>
</tr>
<tr>
<td>Total Undergrads (Admitted)</td>
<td>19,892</td>
<td>20,370</td>
<td>20,782</td>
<td>21,174</td>
<td>21,619</td>
<td>22,001</td>
<td>22,348</td>
<td>22,658</td>
</tr>
<tr>
<td>Incremental Revenue from Enrollment Growth</td>
<td>$7.9M</td>
<td>$14.2M</td>
<td>$12.2M</td>
<td>$12.1M</td>
<td>$14.2M</td>
<td>$13.6M</td>
<td>$13.4M</td>
<td>$12.7M</td>
</tr>
<tr>
<td>Incremental Investment Recruiting</td>
<td>$1.3M</td>
<td>$245k</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Incremental Investment New Classroom Building</td>
<td>-</td>
<td>$3.1M</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Incremental Investment Variable Costs</td>
<td>-</td>
<td>$224k</td>
<td>$5.4M</td>
<td>$5.5M</td>
<td>$6.5M</td>
<td>$6.0M</td>
<td>$5.9M</td>
<td>$5.6M</td>
</tr>
<tr>
<td><strong>Net Revenue</strong></td>
<td>$6.6M</td>
<td>$10.6M</td>
<td>$6.8M</td>
<td>$6.6M</td>
<td>$7.7M</td>
<td>$7.6M</td>
<td>$7.5M</td>
<td>$7.1M</td>
</tr>
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Summary

<table>
<thead>
<tr>
<th>Annual Cost Drivers</th>
<th>$20.5 million</th>
</tr>
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<tr>
<td>Net Revenue from Tuition Rate Increases</td>
<td>$8.0 million - $11.0 million</td>
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### Tuition Revenue

- Annual E&G Cost drivers likely to be around $20.5M

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<th>Percent Increase (Per Student Annually)</th>
<th>Resident Tuition Rate Increase</th>
<th>Non-resident Tuition Rate Increase</th>
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<tbody>
<tr>
<td>2.0% (200)</td>
<td>$7.8M</td>
<td>$9.1M</td>
</tr>
<tr>
<td>2.5% (250)</td>
<td>$8.6M</td>
<td>$9.9M</td>
</tr>
<tr>
<td>3.0% (300)</td>
<td>$9.4M</td>
<td>$10.6M</td>
</tr>
<tr>
<td>4.0% (400)</td>
<td>$10.1M</td>
<td>$11.4M</td>
</tr>
<tr>
<td>5.0% (500)</td>
<td>$10.8M</td>
<td>$12.1M</td>
</tr>
</tbody>
</table>
## Summary

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tr>
<td>Annual Cost Drivers</td>
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<td>$8.0 million - $11.0 million</td>
</tr>
<tr>
<td>Net Revenue from Enrollment Growth (out years)</td>
<td>$7.0 million - $7.5 million</td>
</tr>
<tr>
<td>State Appropriation (estimate)</td>
<td>$2.0 million</td>
</tr>
<tr>
<td>Remainder (covered by further cost cutting, new grad programs, fundraising, additional growth, etc.)</td>
<td>$0 - $3.5 million</td>
</tr>
</tbody>
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Risks

- Significant cut in state appropriation
- Drop in non-resident student demand
- Further deterioration of PERS
- Deferred maintenance in critical buildings