Student Tuition Forum

University of Oregon Financial Briefing

January 15th, 2019
Agenda

• UO Budget Structure
• Key Sources of E&G Funding
• Historical & Comparative Data
• Projected FY20 Cost Drivers
• Tuition Revenue
• Campus Growth
UO Budget Structure

**E&G Funds**
- Tuition revenue
- State Appropriation
- F&A Return
- Overhead revenue
- Fee revenue, interest earnings

**Other Funds**
- Grants and Contracts revenue
- Auxiliary Revenue
- Service Center Revenue
- Designated Operations Revenue
- Restricted gifts

- School & College Budgets
- Central Admin Budgets
- Institutional Expenses (Debt, assessments, utilities, leases)

- Grants & Contracts
- Plant Funds
- Auxiliary, Service Centers, and Designated Ops Funds
- Restricted Gifts
Agenda

- UO Budget Structure
- Key Sources of E&G Funding
- Historical & Comparative Data
- Projected FY20 Cost Drivers
- Tuition Revenue
- Campus Growth
Decreased levels of State Appropriation

Loss of over $7 million of annual support per year
State Appropriation and Resident Tuition Revenue per Resident Student FTE

Note: The chart compares state appropriation and resident tuition revenue on a per student FTE basis. Figures are expressed in inflation-adjusted 2018 dollars. The Consumer Price Index (CPI) values are obtained from the Bureau of Labor Statistics and represent the Urban-West annual CPI as of June 30, 2018.

Source: UO Office of Institutional Research.
University Resources
FY2018 Major Revenue Streams
(E&G Fund)

State Appropriation $72.7 million

Resident Net Tuition $103.4 million

Non-resident Net Tuition $281.7 million
Increasing Dependence Upon Nonresident Tuition

FY2003 – Revenue Breakdown
- Nonresident Tuition as % of Total Three sources: 41.1%
- Resident Tuition as % of Total Three sources: 31.8%
- State Appropriation as % of Total Three sources: 27.1%

FY2018 – Revenue Breakdown
- Non-Resident Tuition as % of Total Three Sources: 61.5%
- Resident Tuition as % of Total Three Sources: 22.6%
- State Appropriation as % of Total Three Sources: 15.9%
Agenda

- UO Budget Structure
- Key Sources of E&G Funding
- Historical & Comparative Data
- Projected FY20 Cost Drivers
- Tuition Revenue
- Campus Growth
UO Budget Structure

E&G Funds
- Tuition revenue
- State Appropriation
- F&A Return
- Overhead revenue
- Fee revenue, interest earnings

Other Funds
- Grants and Contracts revenue
- Auxiliary Revenue
- Service Center Revenue
- Designated Operations Revenue
- Restricted gifts

School & College Budgets

Central Admin Budgets

Institutional Expenses (Debt, assessments, utilities, leases)

Grants & Contracts

Plant Funds

Auxiliary, Service Centers, and Designated Ops Funds

Restricted Gifts
Context – E&G Fund

- **E&G Fund - Characteristics**
  - 80% funded with tuition revenue
  - Funds majority of activity in schools and colleges and administrative units
  - Over 80% invested in people

- **E&G Fund – Recent History**
  - FY15: $10 million deficit ($6.5 million related to recurring issues)
  - FY16: Balanced due to state investment and tuition increase
  - FY17: Balanced due to tuition increase and cost containment efforts
  - FY18: Balanced due to state investment, tuition increase, and cost cutting
  - FY19: $5.6 million deficit projected
Recent Cost Cutting and Savings Initiatives

• 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

• FY19 – cost cutting / efficiency savings initiatives are continuing
UO Faculty / Student Ratio – 78.3% of Mean of Peer Institutions

Comparison of Faculty per 1,000 Students among AAU Publics

FTE Faculty per FTE Students

University of Oregon
Faculty per 1000 Students: 74.9
or 78.3% of the AAU Mean

Average: 95.6 Faculty per 1000 Students

Note: The ratio of faculty to students is based on faculty FTE to student FTE.
Source: IPEDS Human Resources and Enrollment (FY2017).
UO Staff / Student Ratio – 60.1% of Mean of Peer Institutions

Comparison of Staffing per 1,000 Students among AAU Publics

Note: The ratio of faculty to students is based on faculty FTE to student FTE. Source: IPEDS Human Resources and Enrollment (FY2017).
State Appropriations per Student FTE among AAU Publics (FY2017)

Average State Appropriation per Student: $9,509

Notes:
1. University of Colorado, Penn State University, and University of Pittsburgh are excluded from the table because these institutions have an alternative state funding mechanism.
2. The Student FTE corresponds to a 12-month FTE.
3. In Illinois, the state failed to pass budgets in FY16 and FY17.
Source: IPEDS Finance (FY2017) and Enrollment (FY2017).
Agenda

- UO Budget Structure
- Key Sources of E&G Funding
- Historical & Comparative Data
- Projected FY20 Cost Drivers
- Tuition Revenue
- Campus Growth
# Summary – Major FY2020 E&G Fund Cost Drivers

<table>
<thead>
<tr>
<th>Cost Driver</th>
<th>FY20 Cost</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty, Staff and GE Salary and Wages</td>
<td>$10.6 million</td>
<td>E&amp;G employee increases per existing collective bargaining agreement for approximately 1,402 faculty. Also includes estimates of increases for 665 classified staff, 1,272 graduate employees, and approximately 1,034 unrepresented staff. Figures are for employees paid with E&amp;G funds only.</td>
</tr>
<tr>
<td>Medical Costs</td>
<td>$1.9 million</td>
<td>Assumed annual increase of 3.7%</td>
</tr>
<tr>
<td>Retirement Costs</td>
<td>$7.6 million</td>
<td>Based on new PERS rates released by PERS board in fall 2018.</td>
</tr>
<tr>
<td>Institutional Expenses</td>
<td>$1.0 million</td>
<td>Increases related to utilities, insurance, debt for academic buildings, assessments, and leases.</td>
</tr>
<tr>
<td>Strategic Investments</td>
<td>$2.0 million</td>
<td>Allocated via strategic investment process.</td>
</tr>
<tr>
<td>Minimum Wage Increase</td>
<td>$1.0 million</td>
<td>Increases per State of Oregon minimum wage increase to $11.25/hr</td>
</tr>
<tr>
<td><strong>Total Projected Cost Increases</strong></td>
<td><strong>$24.1 million</strong></td>
<td></td>
</tr>
</tbody>
</table>
## Summary – Major FY2020 E&G Fund Cost Drivers

<table>
<thead>
<tr>
<th>Cost Driver</th>
<th>FY19 Base</th>
<th>FY20 Cost Increase</th>
<th>FY20 % increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty, Staff and GE Salary and Wages</td>
<td>$422.3 million</td>
<td>$10.6 million</td>
<td>2.5%</td>
</tr>
<tr>
<td>Medical Costs</td>
<td>$51.0 million</td>
<td>$1.9 million</td>
<td>3.7%</td>
</tr>
<tr>
<td>Retirement Costs</td>
<td>$54.4 million</td>
<td>$7.6 million</td>
<td>14.0%</td>
</tr>
<tr>
<td>Institutional Expenses</td>
<td>$36.6 million</td>
<td>$1.0 million</td>
<td>2.7%</td>
</tr>
<tr>
<td>Strategic Investments</td>
<td>$541.1 million</td>
<td>$2.0 million</td>
<td>0.4%</td>
</tr>
<tr>
<td>Minimum Wage Increase</td>
<td>$429.2 million</td>
<td>$1.0 million</td>
<td>0.2%</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$541.1 million</strong></td>
<td><strong>$24.1 million</strong></td>
<td><strong>4.45%</strong></td>
</tr>
</tbody>
</table>
Cost Drivers – PERS Costs

<table>
<thead>
<tr>
<th>Projected Annual 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>$7.6M</td>
<td>$0</td>
<td>$7.6M</td>
</tr>
<tr>
<td>Other</td>
<td>$3.4M</td>
<td>$0</td>
<td>$3.0M</td>
<td>$0</td>
<td>$3.0M</td>
</tr>
<tr>
<td>Total</td>
<td>$10.5M</td>
<td>$0</td>
<td>$10.6M</td>
<td>$0</td>
<td>$10.6M</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Projected Cumulative 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>$7.1M</td>
<td>$14.7M</td>
<td>$14.7M</td>
<td>$22.3M</td>
</tr>
<tr>
<td>Other</td>
<td>$3.4M</td>
<td>$3.4M</td>
<td>$6.4M</td>
<td>$6.4M</td>
<td>$9.4M</td>
</tr>
<tr>
<td>Total</td>
<td>$10.5M</td>
<td>$10.5M</td>
<td>$21.1M</td>
<td>$21.1M</td>
<td>$31.7M</td>
</tr>
</tbody>
</table>

If PERS unfunded liabilities continue to grow, charges to the University of Oregon could grow significantly in future years.
Agenda

• UO Budget Structure
• Key Sources of E&G Funding
• Historical & Comparative Data
• Projected FY20 Cost Drivers
• Tuition Revenue
• Campus Growth
AAU Publics
2018-19 Tuition and Mandatory Fees
Resident Full-time Undergraduate

Average: $12,605

Oregon $11,898

Source: AAUDE Tuition and Fees.
AAU Publics
2018-19 Tuition and Mandatory Fees
Nonresident Full-time Undergraduate

Oregon
$35,478

Average: $35,883

Source: AAUDE Tuition and Fees.
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

- FY20 annual cost drivers: $24.1 million

### Non-resident Tuition Rate Increase

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

• UO Budget Structure
• Key Sources of E&G Funding
• Historical & Comparative Data
• Projected FY20 Cost Drivers
• Tuition Revenue
• Campus Growth
Campus Growth

UNIVERSITY OF OREGON
Undergraduate Enrollment by Residency

Residency
Nonresident UO
Resident UO

<table>
<thead>
<tr>
<th>Year</th>
<th>Nonresident UO</th>
<th>Resident UO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997-98</td>
<td>9,314</td>
<td>4,448</td>
</tr>
<tr>
<td>1998-99</td>
<td>9,501</td>
<td>3,710</td>
</tr>
<tr>
<td>1999-00</td>
<td>9,757</td>
<td>3,699</td>
</tr>
<tr>
<td>2000-01</td>
<td>10,375</td>
<td>3,710</td>
</tr>
<tr>
<td>2001-02</td>
<td>11,345</td>
<td>3,776</td>
</tr>
<tr>
<td>2002-03</td>
<td>12,108</td>
<td>4,021</td>
</tr>
<tr>
<td>2003-04</td>
<td>12,229</td>
<td>4,219</td>
</tr>
<tr>
<td>2004-05</td>
<td>12,460</td>
<td>4,626</td>
</tr>
<tr>
<td>2005-06</td>
<td>12,454</td>
<td>20,829</td>
</tr>
<tr>
<td>2006-07</td>
<td>12,317</td>
<td>20,808</td>
</tr>
<tr>
<td>2007-08</td>
<td>12,055</td>
<td>20,569</td>
</tr>
<tr>
<td>2008-09</td>
<td>12,186</td>
<td>20,552</td>
</tr>
<tr>
<td>2009-10</td>
<td>12,270</td>
<td>20,087</td>
</tr>
<tr>
<td>2010-11</td>
<td>12,436</td>
<td>19,534</td>
</tr>
<tr>
<td>2011-12</td>
<td>12,464</td>
<td>18,817</td>
</tr>
<tr>
<td>2012-13</td>
<td>12,116</td>
<td>8,713</td>
</tr>
<tr>
<td>2013-14</td>
<td>11,695</td>
<td>9,113</td>
</tr>
<tr>
<td>2014-15</td>
<td>11,291</td>
<td>9,475</td>
</tr>
<tr>
<td>2015-16</td>
<td>11,077</td>
<td>9,249</td>
</tr>
<tr>
<td>2016-17</td>
<td>10,818</td>
<td></td>
</tr>
</tbody>
</table>
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 capacity
  • Investments in Faculty and Staff – additional investments related to cost of education after the first 750 new additional students
## Campus Growth

### Financial Projections Presented to Board

<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 Faculty and Staff</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>Net Revenue</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>
</tbody>
</table>
Governor’s Recommended Budget (GRB)

• Universities were “flat funded”
• Funding level for FY20 - FY21 is the same as funding level for FY18 - FY19
• No increases were provided for cost drivers such as salary increases, PERS, PEBB
• Due to 49% / 51% split of funds, UO would likely see cut of $2.7 million in FY20
• Governor’s “investment budget” would significantly increase PUSF funding
Summary of FY2020 E&G Fund Budget Challenge

- FY2019 Projected Deficit: $5.6 million
- FY2020 Cost Drivers: $24.1 million
- GRB Budget – FY20 impact: ($2.7 million)
- Total Gap to Fill: $32.4 million

Opportunities:
- Campus Growth
- Increased State Support