



Docket Item:

Southern Oregon University (SOU) Tuition Increase Materials

Docket Material:

The following is the table of contents for SOU's tuition increase.

Section A: HECC Staff Summary and Recommendation

Section B: HECC Staff Evaluation of Tuition Increase Criteria Established by Governor Brown

Section C: SOU E&G Budget Gap Summary

Section D: SOU Student Survey Responses

Section E: HECC Staff Summary of SOU Board Materials

Section A: HECC Staff Summary and Recommendation – Southern Oregon University

Summary:

The institution clearly met three of the Governor's criteria (2, 4, and 5). HECC staff is not confident that there is "significant evidence" that Southern Oregon "seriously considered" resident undergraduate tuition and mandatory enrollment rate alternatives below the statutory review threshold; however, staff is confident that such scenarios were modeled and discussed to some degree during the tuition recommendation process. The resulting indeterminate staff conclusion on this criterion is not unique to SOU.

SOU's proposed approach to criterion 3 presents the Commission with a significant dilemma. On the one hand, SOU's 2014 retrenchment plan recently achieved notable cost savings through program elimination and organizational restructuring, and the institution has developed and implemented a series of cost-management tools, including a financial dashboard, that should enhance its ability to manage costs on an ongoing basis. On the other hand, SOU forecasts a significant structural deficit in its Education and General budget that it proposes to address in 2017-18 exclusively through reserve spending, a large tuition increase, and enrollment/retention efforts without any additional cost reductions and in the absence, today, of specific long-term strategies for enhancing revenue through increased enrollment or other measures. The planned spend-down of reserves to fund ongoing operations is projected by SOU to continue through fiscal year 2020-21.

The institution argues that it should be provided 2017-18 to allow its recently-hired (July, 2016) President and Board to complete a strategic planning process unencumbered by having to simultaneously undertake cost reductions that could impair campus morale, erode possible gains resulting from recent new investments in student success, and jeopardize the university's ability to launch a new strategic plan from a position of strength. In effect, the University is placing a high-stakes bet that its yet-to-be-completed strategic plan will eventually reverse enrollment and completion trends, resulting in significant revenue gains that the *status quo* does not predict. Other institutions that propose an above-threshold tuition and mandatory enrollment fee increase also plan to spend down reserves in anticipation of enrollment growth; however, those institutions have also made contingency plans for cost-cutting should enrollment growth not meet targets within a specified period of time. This deadline-driven commitment to a contingency plan allows reserves to be used as a bridge to a structural budget rebalance that will occur through either revenue growth as planned, cost cutting, or some combination of both. Today, SOU's approach is one-dimensional (new revenue from unspecified strategic efforts) and lacks a specific timeframe for evaluation and a potential pivot in strategy.

SOU confirmed this stance in its response to a follow-up request by HECC staff, writing, "The Board of Trustees will determine when and if SOU fails to meet enrollment and revenue goals and will require the university to take the necessary corrective actions." While HECC staff is confident that the SOU Board of Trustees possesses the tools and expertise to monitor the fiscal conditions of the university, and appreciates the university's acknowledgement that it might need to take "corrective actions" if revenue does not rebound, we would have preferred to learn that university leadership had made specific commitments to a timeline for decision-making and had more clearly prepared its Board and community for the potential magnitude of actions that a continuing structural deficit might require.

SOU represents its tuition-setting process as inclusive and consultative to university stakeholders, including students. A survey of selected students who participated in the SOU process resulted in a differing view of the process and frustration in the extent to which student feedback was solicited and incorporated into the ultimate tuition recommendation to the Board. Recognizing the gravity of the specific student concerns with the perceived process at SOU and the institution's stated desire to maintain a transparent and collaborative tuition-setting process, HECC staff recommends that an additional criterion for approval be applied in this instance. Specifically, staff recommends that the Commission receive evidence of new SOU efforts to meet with the surveyed student and others who may wish to provide input, with the goal of either resolving potential misunderstandings and/or committing to specific adjustments to future tuition-setting processes.

SOU's Board adopted undergraduate resident tuition rate structure does incorporate a declining resident undergraduate tuition rate with increasing State investment through the Public University Support Fund.

Staff recommendation:

Due to insufficient evidence about the extent to which students were meaningfully encouraged to engage in the process, and reservations about SOU's approach to cost management, staff is unable to find, either affirmatively or negatively, that Southern Oregon University has substantially met all of the goals previously identified by the HECC and those expressed by the Governor through her five criteria. Staff therefore presents an indeterminate recommendation on SOU's requested resident undergraduate tuition and mandatory enrollment rates for the 2017-18 academic year.

Section B:

Southern Oregon University

HECC Staff Evaluation of tuition increase criteria established by Governor Brown

Criteria	Staff Finding	Staff Comments
<p>1. Clear and significant evidence that the university gave serious consideration to alternatives that involved tuition and fee increases below the 5% threshold.</p>	<p>Indeterminate</p>	<p>Southern Oregon University, as part of its tuition-setting process, modeled a number of potential tuition and fee rates, including resident undergraduate rates that do not exceed the statutory review threshold. These revenue scenarios were presented at different points in the tuition-setting process in parallel to projected institutional cost increases.</p> <p>Under a rigid interpretation of the Governor's criterion #1, HECC staff believes that "serious consideration" is likely not satisfied through scenario development and review. The clearest evidence of serious consideration would be for the President to have included a below-threshold option in the tuition and fee rate recommendation that was presented to the SOU Board of Trustees for discussion and debate. This did not occur.</p> <p>A more flexible interpretation of criterion #1 may be warranted, however, particularly given the absence of guidance from the HECC during the months that the university was engaged in the tuition-setting process. If the University had been instructed to present a below-5% option to its Board for serious consideration, it is reasonable to expect that it would have done so based on the scenario modeling that it undertook early in the process. While a Board is not obligated to limit its discussion to options presented by the university President, formal evidence of serious consideration is difficult to establish in the absence of a structured proposal from the University's administration.</p>

<p>2. Clear and significant evidence of how Oregonians who are underrepresented in higher education, including low-income students and students of color, would benefit more under the university's proposal than one that stays within the 5% threshold.</p>	<p>Meets criterion</p>	<p>Southern Oregon University will increase institutional tuition assistance from \$3.5 million in the current fiscal year to \$4 million in the 2017-18 fiscal year should this tuition increase be approved. In addition to increased aid, the institution will continue existing student support programs, including SOU Cares (which provides primarily non-academic support), and has committed to increased academic tutoring and advising services. The institution has certified that an increase to resident undergraduate tuition and mandatory enrollment fees at or below 5% does not allow for the stated increase in tuition assistance and would result in budget reductions for academic and advising services, among other student support programs.</p>
<p>3. A plan for how the university's board and central administration are managing costs on an ongoing basis.</p>	<p>Does not meet criterion.</p>	<p>Southern Oregon University employs a series of actions that are responsive to the current challenging fiscal environment. Among those actions are:</p> <ul style="list-style-type: none"> • Increased revenue through the requested tuition increase • A planned spend-down of institutional reserves through the 2019-21 biennium <p>Additionally, the institution represents the continuation of past cuts to operations as a primary component of its continuing cost-management plan. While the continuation of these efficiencies are an important cost control element, there is no commitment by SOU to further cost-cutting as part of its tuition request.</p> <p>A sound cost-management plan includes several components, including an infrastructure to control costs before they occur. Southern Oregon University, due to its recent experiences with retrenchment, is in a good position to satisfy this element of a cost-management plan. The institution certifies that its efforts in this area include:</p> <ul style="list-style-type: none"> • Demand-responsive service delivery as a result of academic reorganization, including use of key performance metrics for academic programs, the use of an integrated view of course planning and faculty load, and the addition of budget staff in the Provost's Office

		<ul style="list-style-type: none"> • Contribution margin budgeting model and gainsharing incentives • Quarterly management reports to the institutional Board • An internal study of instructional cost and productivity • Future development of an Academic Director/Program Chair dashboard <p>Despite this infrastructure to control new costs, the institution's decision not to identify potential or actual modifications to existing operations is a concern to HECC staff. Without enrollment or continued revenue growth, or a change in enrollment mix, the lack of cost-cutting paired with a spend-down of institutional reserves creates a significant structural budget concern. As reserves are used to offset a structural budget deficit, revenue or cost-cutting are the most likely solutions to balance structural gaps. Southern Oregon University is not projected by HECC staff to increase its share of State funding in the next several biennia, leaving tuition as the primary variable E&G revenue source. Once the planned spend-down of reserves is complete, there will be upward pressure on tuition rates in the future beyond those associated with normal inflationary or budget pressures like PERS rate increases.</p> <p>While the institution may represent current operations as maximally efficient, its resistance to further examining those operations for potential adjustments and cost-cutting opportunities, paired with its use of reserves to balance the budget gap, diminish staff's ability to conclude that the University has a sound plan for managing costs on an ongoing basis, as required by Criterion #3. <i>See additional discussion in the staff summary.</i></p>
<p>4. A summary of how students, faculty and staff were consulted on the proposed tuition increases.</p>	<p>Meets criterion</p>	<p>Southern Oregon University submitted to HECC staff a summary of how students, faculty, and staff were consulted on the proposed tuition increases. While this submission itself appears to satisfy a literal interpretation of the Governor's criterion #4, HECC staff has reviewed the submission and surveyed selected students to gain a student perspective of the tuition-setting process. This summary and each</p>

		<p>student survey response is included in the attached materials. HECC staff notes that students who participated in the tuition-setting process expressed frustration about the extent to which student feedback was solicited and incorporated into the ultimate tuition recommendation to the Board of Trustees.</p>
<p>5. A summary of how tuition will be affected should additional state funds beyond the number in Governor's Recommended Budget be appropriated.</p>	<p>Meets criterion</p>	<p>Southern Oregon University submitted to HECC staff a summary of how tuition will be affected should additional state funds beyond the number in the Governor's Recommended Budget be appropriated. While this submission itself appears to satisfy a literal interpretation of the Governor's criterion #5, HECC staff has reviewed the submission and notes that the University has committed to reducing undergraduate resident tuition as the Public University Support Fund (PUSF) increases from the Governor's Recommended Budget level, with a minimum tuition increase of 8%. SOU's ratcheting down of tuition begins at a PUSF of \$691 million or greater (in contrast with other institutions that begin ratcheting down rates at \$687 million in the PUSF).</p>

Section C:

FY 2017-18 Southern Oregon University Education & General	
E&G Fund Cost Increases	
Total Salaries	\$1.00
Faculty Salaries	\$0.40
Administrative Salaries	\$0.35
Classified Salaries	\$0.13
Other Labor (Student, Grad Assist, misc)	\$0.13
Benefits	\$1.76
Medical	\$0.67
Retirement (PERS)	\$0.94
Other	\$0.15
Services & Supplies	\$0.44
Net Transfers	\$0.09
	\$0.00
Total:	\$3.30
Decrease in PUSF (at \$667MM level)	\$0.75
Other State funding decrease *	\$0.47
Projected budget gap without action:	\$4.51
Cost cutting & revenue growth**	\$0.00
Undergraduate tuition increase	\$2.50
Other tuition/fee Increase	\$0.26
Enrollment growth from Student	
Success Initiatives Investment ***	\$0.93
Total:	\$3.69
Projected remaining budget gap:	\$0.83
Total E&G Budget	\$61.25
Budget Gap as a % of Total E&G Budget	7.37%
* Loss of one-time funding for SEIU contract from Legislature	
** Budget projections include ongoing cuts of \$6.5 Million	
*** Additional tuition revenue as SSI investment demonstrate results	

Section D:

SOU Student Survey Responses:

Response from Tuition Committee Member Daryl Maplethrope

Question 1: Reading through the description provided I noticed several discrepancies with the way they described things and the way they actually happened. First, it states that the committee is "chaired by the provost". This may be technically true, but in application it is virtually not. The provost was not present at all meetings. The meetings were planned and facilitated by Mark Denny, the Associate Vice President of Budget and Planning. Next, I would like to clarify that while we did start meeting in February, it wasn't until the latter half of the month. We had 1, maybe 2, meetings in February. Addressing the next section of the description it states that we ran through the pro forma in "detail". I would challenge the assertion that it was done in detail. The excel spreadsheet containing the pro forma had equations that were outsourced to separate work books that we didn't have access to. Meaning members of TAC could not, as far as I experienced, see the math involved in the pro forma. Meaning we had to accept everything as is. Next we move to "TAC drafted its proposal and presented it for feedback to the Associated Students of SOU, ASSOU Senate, Faculty Senate, SOU Budget Committee, University Planning Board, the Executive Council and the President's Cabinet.". I would like to clarify that when TAC drafted the proposal only 3 students were present, and the proposal was drafted basically by Mark Denny in a very rushed manner. A "vote" was then taken on the proposal, but the vote happened during a conversation and it wasn't a show of hands. Denny simply looked around the room and got a head nod or shrug from every member. It was so discrete that another member asked if the vote had even happened. I would also like to address that TAC did not give presentations, Mark Denny did. No TAC members were apart of the presentations, nor do I believe we were invited to be. Also, I would like to address the content of the presentation. During the Advisory meeting our formal proposal included a sliding scale of tuition rates. As the state budget went up, we proposed lower tuition rates to accommodate. The 12% rate was a maximum tuition rate which applied to the governors recommended budget. In the presentations that Denny gave to Student Senate he didn't address this sliding scale, I have also been informed that he didn't mention the sliding scale in his presentation to the board of trustees either. I wasn't present at the board meeting, so I can't confirm that story. When we emailed the board of trustees to ask for minutes from that meeting we were told they weren't ready yet, because they take weeks to draft.

I would also like to address the tuition setting process for out of state and graduate rates. For these rates we only talked about them for a very brief time, and it was noted by Denny and Matt Stillman that these rates were insignificant to our budget. Staff members in that meeting flippantly suggested a 12% rate for out of state and 6% for graduate. This was accepted, despite my challenge to the proposal and despite these rates not needing to be above 5% because they are insignificant to our budget.

Question 2: The institution held several forums and created videos to help inform the students of the tuition process. This was their "outreach". From my experience these forums were more to inform students of the imminent tuition raise, rather than solicit feedback. Mark Denny made it very clear that

students on campus weren't happy with the tuition rates, but felt like the situation was hopeless. The only student input that was ever communicated to TAC was simply stating that while he understands the students don't like the idea, there is no other options. There were also no other options proposed. We talked, in one meeting, about cuts but Denny made it clear that cuts were not to be considered as a viable option. Also, because of the way the pro forma was set up, we couldn't challenge the math involved. TAC was set with the goal of having an ending fund balance of 5% at the end of two bienniums. The math involved in the equation only allowed us to hit 5% with a 12% tuition rate. However that math involved had a 5% tuition increase for the next 3 years, and no answer to what the next state budget would be. Since we couldn't adjust the tuition rates or the state budget for the next biennium, there was no true free will in the pro forma.

I asked another student on TAC to answer this question as well. I wanted to make sure the HECC was receiving information from more than 1 member of TAC, so that they could fully understand that multiple students have problems with this tuition setting process. This is what they had to say:

"When the TAC and student organizations were presented with the proposal for the 12% tuition increase, it sounded like everything was already set in stone. The whole TAC process was less about getting actual recommendations for changes to the proposal, and more of simply informing us of the decision that was already made. Before TAC even met in February, there had already been a local news article put out about the 12% increase, so there left very little room for any actual discussion"

Question 3: In my opinion student comments had no impact on the final recommendation. As was stated before the 12% increase was well publicized before TAC even started meeting. During the meetings students were overlooked. At one point in the meetings a staff member asked Denny how students felt, rather than just asking the students in the room. So, with students present, Denny spoke to how we felt. At another point a professor on TAC stated, in relation to graduate rates, that we can "Raise them however high we want" because her classrooms were full with a waiting list so "students will pay whatever we charge them". When I challenged her statements she replied with "Oh. Why are you invested in this? Are you planning on going to graduate school here?". It was very clear that the faculty members had little to no regard for students. We were talked about as walking pay checks. Also, as was previously stated, the pro forma model outsourced it's equations and left a lot of stuff unanswered. There was no ability to manipulate it. It was used as a tool to make us feel like a 12% increase was our only option.

The other member from TAC who responded with comments said this about the process:

"The school did very little to properly address the concerns that students had. There was limited consideration as to how the increase in tuition would impact the enrollment rate, which was surprising

considering the school is already projecting a decline in enrollment. Student comments had little to no impact on the final decision"

They also requested that I include in this email testimony that was emailed, by us, to the board of trustees before they set the tuition rate.

We emailed the board the following statement:

"I was part of TAC this year and I found the whole process to be extremely convoluted, especially for the students. The Excel sheets we were presented with all had cell values with external equations we did not have access to, so we weren't able to fully see what components made up the sum cells. This made it even harder for students to understand the process, and the equations used to determine the suggested tuition levels.

Along with this issues surrounding the spreadsheet, there were issues with the timeline. We had very few meetings, which really limited the amount of conversation that could be happen. The process really felt rushed, and it felt like the decision had already been made by the time TAC started meeting. At times the meetings felt less like meetings, and more like presentations on the tuition setting process. I never particularly felt like I had the option to suggest a tuition rate other than what was already being presented to us.

The last issue that I had was surrounding the way the out of state and graduate student rates were set. It was plainly stated that the tuition for these sections of students was insignificant for our budget. We were free to set those rates however we please. However it was immediately suggested, by a faculty member, that we set out of state tuition at a 12% increase. This was done without consideration to the students it would affect or the budget. It wasn't until they realized that setting out of state tuition that high would make it higher than graduate rates that they suggested a change. Graduate rates were set in a similarly flippant manner. We didn't need to raise those rates at any significant rate, yet faculty in the room insisted that we did. It was clear that they didn't care about students and our ability to pay tuition"

This statement was sent to the board anonymously by another student.

The final thing I would like to add is that I in no way believe that a 12% tuition increase is what the school needs. The more investigating I have done into the budget the more I believe that this is an unnecessary move. I urge the HECC to not consider anything higher than 6-7%, if they go above 5% at all. This is an undue burden on students that was done with little to no concern for us. I also urge the HECC to not approve a tuition rate above 5% for out of state or graduate students.

Section E:

HECC Staff Summary of Southern Oregon University Board Materials - Mandatory Enrollment Fees Increase in Excess of 5%:

The following is a summary of Southern Oregon University's (SOU) efforts associated with its tuition increase related to topics the commission wishes to focus on: Affordability, Student Involvement and Cost Controls/Cuts. SOU is proposing an overall increase in resident undergraduate tuition and fees of 11.4%. As prescribed by Oregon law, HECC excludes certain fees from its calculation of the same increase, resulting in an increase of 11.4%, in excess of the 5% review threshold.

Affordability:

As part of this tuition increase, SOU will increase tuition remissions from \$3.5 to \$4 million. These remissions will focus on the most vulnerable students, particularly Oregon residents, such as students of color, first generation and low income students.¹

Student Involvement, Input and Impact:

SOU utilizes a tuition advisory council (TAC), which is chaired by the provost and consists of three administrators, two faculty members and four students.² The committee started meeting in February and met weekly through March. In addition, SOU created a video series on the institution's budget³, conducted twelve different campus presentations, including two to the student government body (ASSOU), three to the students at large and two campus-wide forums.⁴ Following these presentations, the TAC reviewed all input received and considered it when making their final tuition recommendation to President Schott.

Institutional Cuts and Cost Controls:

As a result of the retrenchment process that began in 2014, SOU has engaged in some \$14 million in cuts over the past few years. These cuts included streamlining administration, eliminating over 60 faculty FTE, cutting 32 low-enrolled programs and systematically tracking faculty release times.⁵ SOU believes that these cuts have left it in a much stronger position than it had previously been and that is now a "model of efficiency⁶." As a result, SOU does not anticipate making any cuts at this time as it believes they will jeopardize student quality and limit critical support services⁷.

¹ <http://governance.swp.sou.edu/wp-content/uploads/sites/7/2013/10/042117-Meeting-Materials_BOT_v4.pdf>
Page 72.

² Ibid Page 54.

³ <<https://inside.sou.edu/budget/index.html>>

⁴ <http://governance.swp.sou.edu/wp-content/uploads/sites/7/2013/10/042117-Meeting-Materials_BOT_v4.pdf>
Page 68

⁵ Ibid Page 65

⁶ Ibid Page 44

⁷ Ibid Page 44.

Tuition increases Based on PUSF Levels:

Should state funding levels change, SOU will adjust its tuition rate as follows:

PUSF	Res UG Tuit Inc.	Res UG Tuit Rate	Annual \$	% Rate Inc.
GRB - \$690 M	\$ 18.17	\$ 169.58	\$ 817.61	12.0%
\$691 - \$710 M	\$ 16.66	\$ 168.07	\$ 749.48	11.0%
\$711 - \$730 M	\$ 15.14	\$ 166.55	\$ 681.35	10.0%
\$731 - \$750 M	\$ 13.63	\$ 165.04	\$ 613.21	9.0%
\$751 - \$760 M	\$ 12.87	\$ 164.28	\$ 579.15	8.5%
\$761 M and up	\$ 12.11	\$ 163.52	\$ 544.95	8.0%