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**Docket Item:**

University Tuition Setting – Staff Analysis and Recommendations

**Summary:**

Four institutions are proposing an increase in tuition and mandatory enrollment fees that exceeds five percent, thereby triggering the HECC's review. In December 2018, the Commission adopted a set of tuition increase criteria, included in the appendix, that prescribe the three focus areas of what is to be considered by the HECC in determining whether or not a proposed undergraduate resident tuition rate increase of greater than 5% is "appropriate" pursuant to ORS 350.075 (3)(h)(B). The information included provides a summary by focus area by institution along with staff recommendations on the proposed increases.

**Oregon Institution of Technology (OIT)**

OIT is recommending a combined resident undergraduate tuition and fees increase of 5.66% based on a PUSF funding level of base + \$100 million. The proposed tuition rate of 6% will be lowered by 1% for every \$20 million in additional state funding appropriated by the Legislature. The proposal includes budget cuts of \$2.0 million (3%) of the FY2020 E&G budget and a use of fund reserves totaling \$1.3 million (11.6%).

**Focus Area 1:** OIT established a Tuition Recommendation Committee (TRC) consisting of 12 members which is four more than required. Half of the committee members were students including at least two from underrepresented populations. The TRC met eight times since February and held four public forums at both the Klamath Falls and Wilsonville campuses to gather stakeholder input. OIT complied with the requirements of HB 4141 (2018) in establishing a transparent process.

**Focus Area 2:** In order to safeguard access for historically underrepresented students, OIT has committed to investing in the launch of a multicultural center which is currently lacking on its main campus. Additional investments in outreach to military/veteran populations is expected as part of the FY2020 budget. At the same time, support services have been protected from budget cuts. Finally an estimated 20% of the additional tuition revenue generated from the increase will be used to provide increased remissions funding and further protect investments in student service functions.

**Focus Area 3:** With an expected 1.0% enrollment increase and after taking budget cuts of 3%, OIT will still need to use about 12% of its existing E&G fund balance to finance its FY2020 E&G budget. Doing so will leave an estimated fund balance of less than two months of operating expenses which is much lower than best practice would require. Even though OIT has become less dependent on tuition in the past few years, a renewed focus on enrollment management with the addition of new degree programs may help replenish the fund balance.

**Staff Recommendation:**

Approve as proposed.

**Southern Oregon University (SOU)**

SOU is recommending a combined resident undergraduate tuition and fees increase of 9.87% based on a PUSF funding level of base + \$100 million. The proposed tuition rate of 10% will be lowered by roughly 1% for every \$20 million in additional state funding appropriated by the Legislature. The proposal includes budget cuts of \$2.0 million (3.2%) of the FY2020 E&G budget and the protection of existing fund reserves.

**Focus Area 1:** SOU established a Tuition Advisory Council (TAC) consisting of 8 members. Half of the committee members were students including at least two from underrepresented populations. The TRC met 19 times since December of which seven were public forums to gather stakeholder input. SOU complied with the requirements of HB 4141 (2018) in establishing a transparent process.

**Focus Area 2:** In order to safeguard access for historically underrepresented students, SOU has been making investments in collaborating with regional higher education partners to streamline the completion process. They have also protected support services from budget cuts by keeping currently vacant positions open, by taking non-essential services cuts and by using voluntary furloughs. Finally a portion of the additional tuition revenue collected will be used to increase remissions funding by \$500,000 (14%) in FY2020.

**Focus Area 3:** With an expected 0.5% enrollment decline and proposed budget cuts of 3.2% in the E&G fund budget, SOU will look to strategically protect its existing E&G fund balance. Even so, they will be left with an estimated fund balance of about one month of operating expenses which is much lower

than best practice would require. A renewed focus on enrollment management including both the recruiting of new students and the retention of existing students along with collaborative efforts to partner with other higher education institutions should help going forward.

**Staff Recommendation:**

Approve as proposed.

**University of Oregon (UO)**

UO is recommending a combined resident undergraduate tuition and fees increase of 7.13% based on a PUSF funding level of base + \$100 million. The proposed tuition rate of 6.91 will be lowered to 4.45% at a PUSF funding level of base + \$120 million. The proposal includes budget cuts of \$11.6 million (2.2%) of the FY2020 E&G budget and the use of fund reserves totaling \$5.6 million (8.4%).

**Focus Area 1:** UO established a Tuition and Fee Advisory Board (TFAB) consisting of 18 members. Five of the committee members were students including at least two from underrepresented populations. The TFAB met 15 times since October of which three were public forums to gather stakeholder input. UO complied with the requirements of HB 4141 (2018) in establishing a transparent process.

**Focus Area 2:** In order to safeguard access for historically underrepresented students, UO has committed to the creation of a new Black Cultural Center, a new student disability advisor and additional student advising staff. They have also protected support services and the educational mission from budget cuts by targeting divisional budgets mainly in staffing. Although ¼ of all existing resident undergraduates pay no tuition and fees, UO is dedicating an additional \$350,000 to provide grants to support low-income students.

**Focus Area 3:** With an expected 1.6% enrollment increase and proposed budget cuts of 2.2% in the E&G fund budget, UO will still need to use about 8% of its existing E&G fund balance to finance its FY2020 E&G budget. Doing so will leave them with an estimated fund balance of just over a month of operating expenses which is much lower than best practice would require. A renewed focus on recalibrating its enrollment management strategy for both resident and nonresident students should help going forward.

**Staff Recommendation:**

Approve as proposed.

**Portland State University (PSU)**

PSU is recommending a combined resident undergraduate tuition and fees increase of 6.69% based on a PUSF funding level of base + \$100 million. The proposed tuition rate of 6.4% will be lowered by roughly 1.5% for every \$20 million in additional state funding appropriated by the Legislature. The proposal includes budget cuts of \$10.0 million (2.9%) of the FY2020 E&G budget and the use of fund reserves totaling \$7.0 million (8.9%).

**Focus Area 1:** PSU established a Tuition Review Advisory Committee (TRAC) consisting of 14 members. Half of the committee members were students including at least two from underrepresented populations. The TRAC met 14 times since November of which four were public forums to gather stakeholder input. PSU complied with the requirements of HB 4141 (2018) in establishing a transparent process.

**Focus Area 2:** In order to safeguard access for historically underrepresented students, PSU has been making investments in transfer student success and accommodations staff. They have also protected support services from budget cuts by reducing administrative staff and by reducing classroom maintenance spending. Finally a portion of the additional tuition revenue collected will be used to increase remissions funding by \$2.1 million (9.8%) in FY2020. The proposed rate will allow an additional 1,500 Pell-eligible students receive more robust institutional financial aid.

**Focus Area 3:** With an expected 0.3% enrollment decline and proposed budget cuts of 3% in the E&G fund budget, PSU will still need to use about 9% of its existing E&G fund balance to finance its FY2020 E&G budget. Doing so will leave them with an estimated fund balance of just over two months of operating expenses which is much lower than best practice would require. A renewed focus on transfer student success should help going forward.

**Staff Recommendation:**

Approve as proposed.

## **Appendix: Tuition Increase Criteria**

Adopted December 13, 2018

The following criteria shall be used by the HECC in determining whether or not a proposed university increase to its undergraduate resident tuition rate of greater than 5% is “appropriate” (ORS 350.075 (3)(h)(B)).

Barring extraordinary circumstances, these criteria shall constitute the only criteria the Commission will employ during the tuition review process. In determining whether or not an institution has met any particular criterion, the Commission will employ a “reasonableness” test; in other words, taking into account context and constraints, can the institution be understood to have taken all prudent and reasonable measures to meet the standard suggested by the criterion?

Finally, when making its final determination about whether a university’s above-threshold tuition increase is appropriate, the Commission will consider the totality of the institution’s submission. An institution’s shortcoming or success with respect to any one criterion will not necessarily determine the Commission’s overall conclusion about the appropriateness of the proposed tuition increase.

### **Focus Area One: Fostering an Inclusive and Transparent Tuition-Setting Process**

Goals: Inclusion, Transparency

Why this focus area is important: Student engagement in tuition-setting decisions is a core priority for students, public universities, the state, and the HECC. The HECC seeks assurance that the tuition-setting process is open, fair and provides ample opportunities for student participation.

In order to assess the criterion in this focus area, evidence must be provided regarding the engagement of students throughout the process and that student engagement informed the development of an institution’s final tuition proposal. This impact should be clearly documented by the available materials produced by the tuition advisory committee as well as the views of students and student organizations involved, either directly or indirectly, in the tuition-setting process.

Criteria for this Focus Area:

A. The institution can demonstrate that students had multiple opportunity to engage in the tuition-setting process including, but not limited to, participation on the institution's tuition advisory committee.

Fulfillment of this criterion: The Commission determines that engagement with students occurred throughout the tuition-setting process and that student input was fully considered in the institution's tuition proposal.

B. The institution demonstrates that information about the tuition setting process was easily accessible, that the tuition-setting process was transparent and in compliance with House Bill 4141 (2018).

Fulfillment of this criterion: Information on the institution's process is available and accessible and meets or exceeds the requirements of HB 4141. Data that can be used to support this determination include: Tuition advisory committee structure; student outreach strategies that were undertaken at the institution with a particular focus on outreach to underrepresented student groups; extent of information available to tuition advisory committee members, particularly students; and how dissenting comments are reflected and incorporated into official tuition deliberations and/or recommendations.

**Focus Area Two:** Safeguarding Access and Support for Degree Completion by Historically Underrepresented Students

**Goals:** Mitigate impacts of tuition increase, Plan for use of additional state resources

Why this focus area is important: The HECC's strategic plan emphasizes the importance of increasing the participation and completion of historically underrepresented students at every level. At a minimum, the HECC wants to ensure that the impact of any tuition increases on these highly vulnerable groups is mitigated.

These criteria allow universities to identify how they will help targeted groups more by approving these increases than by not doing so – for example via targeted remissions or student support programs. In addition, criteria require detailing how tuition would decrease should the final PUSF exceed the funding level upon which the tuition increase is predicated.

Criteria for this Focus Area:

A. Demonstration of impacts, with and without a tuition increase of more than 5%, on remission programs and support services that bolster retention and completion of underrepresented students.

Fulfillment of this criterion: The institution demonstrates that it reduced or mitigated impacts on underrepresented students under the proposed increase. Specific examples should be provided as related to programs that support these students, especially resident students.

B. The institution has a plan for reducing tuition costs if the PUSF exceeds the funding level upon which the tuition increase is predicated.

Fulfillment of this criterion: Completion of a schedule linking PUSF increases with tuition decreases.

**Focus Area Three:** Financial Conditions Demonstrating the Need for Resident, Undergraduate Tuition to be Increased More than 5%

Goals: Explanation of cost drivers and revenue dynamics triggering tuition increase, Demonstrated consideration of alternatives, Implementation of cost containment efforts and long-term sustainability of the university

Why this focus area is important: The tuition-setting process presents an opportunity to describe the impact of state-mandated cost pressures as well as to understand institutional efforts to contain costs and improve long-run fiscal sustainability. The universities and the HECC agree that certain funding levels by the state must be met to cover state-mandated cost drivers. The criteria under this focus area highlight these considerations.

Additionally, although universities establish tuition rates annually, this focus area highlights that decisions about tuition should consider the long-term consequences of annual decisions on the financial

health of the institution, programs supporting student success, the quality of academic programs, and the institution's ability to recruit and retain faculty and staff.

Criteria for this Focus Area:

A. The institution demonstrates that current and projected financial conditions compelling the need for the increase request to meet the critical portions of its HECC-approved mission or goals set in the HECC's strategic plan, including documentation that alternatives to raising tuition above 5% were considered.

Fulfillment of this criterion: A clear explanation, backed up with appropriate quantitative evidence, that the institution's increase in excess of 5% is necessary to support the long-term need to meet the institution's core mission or its ability to meet the HECC's strategic plan.

B. The institution demonstrates that it has considered and implemented cost containment efforts for those costs that are within their control.

Fulfillment of this criterion: The institution has a demonstrable history of cost control efforts, including engaging in a systematic review of cost efficiencies. In addition, these efficiency reviews and the resulting data/monitoring have been incorporated into an institution's budgetary decision-making process for an institution's cost control efforts to receive a passing analysis under this criterion.