HIGHER EDUCATION COORDINATING COMMISSION

MEMORANDUM

SUBJECT: Questions/Factors to Consider for Tuition and/or Fee Increases
TO: HECC Funding & Achievement Subcommittee
FROM: David Jarvis, HECC Fiscal Analyst
DATE: March 3, 2017

The following document presents several themes and related questions intended to provide a foundation for discussion as the Commission considers its information needs for an effective evaluation of resident undergraduate tuition and fee increase requests that exceed 5%. The several dozen staff-developed questions that follow, grouped by theme and HECC strategic priorities, cover many factors considered by institutions in their respective tuition and fee setting processes. This list of questions attempts to be comprehensive in its scope, providing a broad base from which the Commission could start a discussion that ultimately narrows around those themes or strategic priorities it finds essential to fulfill its statutory tuition and fee increase review responsibility.

The HECC's Review Role:

We will begin with a summary of the HECC's review role under ORS 352.102(4), which states in relevant part:

> *(4) In determining tuition and mandatory enrollment fees for undergraduate students who are enrolled in a degree program and are qualified to pay resident tuition:*
> *(a) The governing board may not increase the total of tuition and mandatory enrollment fees*[1] *by more than five percent annually unless the board first receives approval from:*
> *(A) The Higher Education Coordinating Commission; or*
> *(B) The Legislative Assembly.*

This section has triggered on two occasions, both related to increases for the 2015-16 academic year. Specifically, it was triggered related to the elimination of the so-called "tuition floor" at Oregon State University[2] and for the creation of the Eastern Oregon University Promise program[3]. Neither of those situations is analogous to what is likely to occur this upcoming year as both were one-time actions to change tuition structures, not same-structure annual increases.

[1] Of note, mandatory enrollment fees does not include "mandatory incidental fees" set by the institution at the recommendation of the student government per ORS 352.105(5).
[2] <http://www.oregon.gov/HigherEd/Documents/HECC/2015%20Full%20Commission%20Meetings/04_Apr-9-15/4.1%20OSU%20Tuition%20and%20Fees%20Increase%202015-16.pdf>
[3] <http://www.oregon.gov/HigherEd/Documents/HECC/2015%20Full%20Commission%20Meetings/02_Feb-12-15/5.1%20EOU%20Eastern%20Advantage%20Program%20Proposal.pdf>

Factors to Consider:

When considering what factors the HECC may consider in its review of tuition/fee increases exceeding 5%, relevant factors are likely to fall into five broad categories:

1. Tuition and Fee Setting Process and Student Involvement
2. State Funding
3. Student Affordability
4. Institutional Factors and changes such as enrollment changes, strategic investments, employment cost increases due to labor agreements, etc.
5. External Cost Drivers such as PERS and health care costs.

These factors are informed by a variety of data points, including national metrics, institutional metrics and conditions, institutional comparisons, and the strategic plan and mission of both the institution and the HECC, just to name a few. Together they allow for discussion of both how institutions plan to maintain affordability while at the same time ensuring they remain fiscally viable.

Tuition and Fee Setting Process and Student Involvement:

The first group of questions concern the overall tuition and fee setting process, student involvement in the process and their impact on the final tuition recommendations:

1. Please briefly describe your tuition and fee setting calendar, steps and process.
2. Did your institution create a tuition and fee advisory board (or similar) to develop recommendations? If you created such a group, please answer the questions below. If you did not create such a group, please skip to question three.
    a. If you did create such a board, please describe how the members were selected and by whom?
    b. How many students were included in this tuition and fee advisory board and what role did they have in the process?
    c. How many meetings did this board hold and over what time period?
    d. Were these meetings public? How many of them included opportunities for public, and particularly student, comments?
    e. How were comments by students incorporated into this group's recommendations?
    f. For what categories of tuition increases did this group consider and make recommendations
    g. For fee increases, how were students involved in identifying additional service needs and recommending any associated fee increases?
    h. How were this group's recommendations incorporated into the President's recommended tuition increase?
3. If your institution did not create a formal tuition and fee advisory board, please answer the following questions:
    a. How many meetings were held on tuition and fee increases and whom was involved in the process? How were the participants determined?
    b. How many of these meetings were public?
    c. How were the participants selected?
    d. How many opportunities for public, and particularly student, comments were there during this process? How were they advertised and what was the attendance of these meetings? Were comments recorded and/or documented?
    e. For fee increases, how were students involved in identifying additional service needs?

f. How were public, and particularly student, comments incorporated into the final tuition recommendation to the board?

State Funding:

One of the factors likely used by an institution in determining the size of a tuition and fee increase is the scope of state funding, primarily through the Public University Support Fund (PUSF). The following questions ask for institutional input relative to proposed state funding levels:

1. On what PUSF funding level are you basing your proposed tuition and fee increases??
2. How much in state funding does your institution estimate it will receive via the PUSF under this scenario?
3. Should the PUSF be that which the universities are requesting (GRB +$100M), how much in funding above the GRB does your institution estimate it will receive?
4. How might other state funding streams (such as the Oregon Opportunity Grant and State Program Funding) impact your tuition decisions?

Scope and Size of the Increase;

Before considering any relevant factors, it is important to first understand and define the scope and size of the tuition and fees increase being proposed. To wit, the following questions are important to answer:

1. What is the % and $ increase in tuition and fees both individually and together? For HECC's purposes, all tuition is 45 credits per year at the base rate (non-differential) and fees are full-time mandatory fees (excluding incidental fees) for three terms for resident undergraduate students. If an institution has a branch campus (OSU/OIT), please treat their tuition and fee rates as separate and calculate the increase independently from the main campus.
2. If your institution (EOU/WOU) utilizes a guaranteed tuition rate program for an incoming cohort, how much did the cohort's tuition raise versus the previous cohort's? What percentage of resident undergraduates utilize this program each year?
3. How do these increases compare to previous years?
4. Describe how tuition in other categories not subject to HECC review is increasing (differential tuition, online, nonresidents, graduate students, etc.)? How does this compare to your proposed increase for resident undergraduate students?
5. What % of your E&G budget relies on tuition and fees prior this increase? After this increase?
6. What is your institution's projected revenue shortfall and how much of that is this tuition increase expected to fill?
7. How much additional revenue is anticipated to be generated by this tuition and/or fees increase?
8. If the increase were to be limited to 5%, how much less revenue might the increase be expected to generate?

These questions may allow the commission to frame the tuition and/or fees increase such as to allow for a deeper dive into the reasons behind an increase and what the marginal revenues may be used for.

We will discuss each of these factors in turn, tying each category to the HECC strategic plan where relevant in order to link the questions to larger discussions the HECC has undertaken.

Student Affordability:

HECC's goal #5 in its 2016-2020 strategic plan defines affordability as follows:

> *Limit student and family cost for all, with a particular focus on ensuring students rising through Oregon's preK-12 school system may be reasonably certain they will have access to affordable options for higher education*

Any time tuition increases and/or fee increases are proposed, one of the first questions is typically how this increase may negatively impact affordability. However, there are ways in which institutions can ensure that this impact is, at least somewhat, limited. The following questions for institutions address the extent to which they will use the additional revenue these increases generate to address affordability concerns:

1. What percentage of the increased revenue will be dedicated to undergraduate resident tuition remissions? How much was previously dedicated to such remissions?
2. Assuming the tuition and/or fee increase were to be adopted, how does the institution's tuition and/or fees compare with regional or national peers?
3. Describe any additional affordability efforts the institution has made related to resident undergraduate students. Will they be impacted by this tuition increase and if so how?
4. What is the change in total cost of attendance (for resident undergraduates) anticipated for next year?
5. How much of the change in total cost of attendance is due to each of the following fee categories?
    a. Tuition and fees
    b. Books and Supplies
    c. Room and Board
    d. Transportation and other miscellaneous personal costs.
6. Any other efforts an institution is making related to student affordability (most importantly for resident undergraduate students, but also for all students).

Institutional Factors and Changes:

There are many factors which lead to rising costs in an institution, some of which result from institutional choice and some of which do not. This section considers the first category. One of the areas in which institutions can choose to increase costs relates to student support, which meets goal #4 of the HECC strategic plan defines as follows:

> *Strengthen the ability of campuses and communities to support student safety, success, and completion.*

In that vein, institutions may be asked to answer the following questions, primarily relating to tuition and mandatory fee increases. This does not include incidental fees increases as recommended by the student government:

1. As relates to fee increases, how much are the associated costs for services which these fees fund going up, both in actual terms and relative to inflation? Why are they increasing?
2. Has the institution considered alternatives to fee increases for all students? For example, have they considered increasing fees for service or trying to raise revenue in other ways?
3. What additional service needs do fee increases allow the institution to fill, if any? Explain why these services are needed.

4. What strategic investments will these tuition and fee increases allow the institution to make or continue to make? How do they encourage student safety, success and completion?
5. Should the tuition or fee increase be limited to 5%, what would the specific impact be on academic quality, student services and strategic investments?

The other category of factors in this category relate less to student support and more on institutional trends such as enrollment, needed infrastructure investments or employment contracts. Related to these issues, institutions should answer the following questions:

1. What is an institution's projected enrollment change (especially resident undergraduate enrollment) year over year and over the past several years? Will the tuition and/or fees increase impact this change and if so how and why?
2. How are salaries for different categories of employees changing or expected to change in the coming year? Possible categories include union negotiated cost increases for professors, staff and, if appropriate, graduate assistants. How do these increases compare to those of administrators or other non-union employees?
3. What additional needed infrastructure investments has your institution made that necessitate increased costs? For example, IT upgrades or emergency repairs.
4. How are fixed costs such as utilities, maintenance, leases, debt or other such costs increasing?
5. Describe any efforts that have been made to decrease costs. How might further cuts impact student success?

<u>External Cost Drivers</u>:

Goal #2 of the HECC's strategic plan states that the HECC shall strive to:

Use effective advocacy to increase public funding for higher education

However, sometimes effective advocacy is not enough and the costs are beyond an institution's control. This is particularly true in Oregon, where an increasing confluence of costs increases related to PEBB/PERS as well as other legislative actions has increased an institution's costs in ways in which it has no control. In that vein, institutions may be asked to answer the following questions:

1. Estimate the cost of the increasing PERS rates. How much of this cost will be met by this tuition and/or fee increase?
2. Estimate the cost of increasing PEBB rates. How much of this cost will be met by this tuition and/or fee increase?
3. To what extent have the following legislative labor law changes increased costs?
   a. Mandatory sick leave.
   b. Minimum wage increases.
   c. Other legislative mandates, either state or federal.

This extensive list of themes and questions are proposed as a jumping-off point for Commission discussion on those elements essential to its statutorily-required review of tuition and mandatory enrollment fees for resident undergraduate students that exceed 5% in total.