



**Board of Trustees
Finance and Administration Committee Meeting**

**Thursday, February 16, 2017
4:00 – 5:00 p.m. (or until business concludes)
DeBoer Room, Hannon Library**

MINUTES

Call to Order and Preliminary Business

Chair Nicholson called the meeting to order at 4:02 p.m. He began the meeting by mentioning that SOU received confirmation that it has been reaccredited. He commended the hard work of the team, particularly Dr. Jody Waters.

The following committee members were present: Paul Nicholson, Lyn Hennion, April Sevcik, Dennis Slattery and Steve Vincent. Trustees Les AuCoin and Jeremy Nootenboom were absent. Trustee Linda Schott (ex officio) also attended the meeting.

Other meeting guests included: Craig Morris, Vice President for Finance and Administration; Dr. Susan Walsh, Provost and Vice President for Academic and Student Affairs; Jason Catz, General Counsel; Janet Fratella, Vice President for Development; Mark Denney, Associate Vice President for Budget and Planning; Brian Brennan, Honors College; Ritikaa Kumar, Honors College; Briana Farrell, Honors College; Syd Martin, SOU student; Chris Warren, SOU student; Emma Powers, SOU student; Dylann Loverro, Honors College; Olivia Bozarth, Honors College; Samantha Jestadt, Honors College; Ivonne Hernandez, SOU student; Calena Reeves, SOU student; Connor Hulegaard, SOU student; Hank Minnick, SOU student; Hannah Cable, SOU student; Spencer Nelson, SOU student; Sterling Smith, SOU student; Hunter Pegues, SOU student; Jordyn Hubbard, SOU student; Bryce Nakamura, SOU student; Ryan Schnobrich, Internal Auditor; Shane Hunter, Senior Financial Management Analyst; Kristen Gast, SOU; Debbie O’Dea, SOU Financial Aid; Joe Mosley, Director of Community and Media Relations; Carol Voisin, SOU; Olena Black, League of Women Voters; Tyler Takeshita, ASSOU; Melinda Joy, ASSOU; John Stevenson, User Support Manager; Don Hill, Classroom and Media Services Manager; Sabrina Prud’homme, Board Secretary; and Kathy Park, Executive Assistant.

Trustee Sevcik moved to approve the January 19, 2017 meeting minutes, incorporating typographical errors Chair Nicholson noted. Trustee Vincent seconded the motion and it passed unanimously.

Public Comment

Dylann Loverro, a freshman at SOU in the Honors College, commented on tuition increases. She is from Washington and from a family of educators. When discussing

tuition increases, she asked the committee and board to consider that such increases will not just affect enrollment and student morale but also students' futures and ability to pursue higher education or obtain jobs. She asked the committee to consider the students, SOU teachers, and the hopes, wishes, and dreams of those employed at SOU.

Vice President's Report

Craig Morris said SOU received an honorable mention award for climate leadership at the Second Nature conference in recognition of its portfolio of accomplishments in the past several years, such as having the first LEED platinum classroom in Oregon, the "Bee Campus" designation, and The Farm. President Schott and Chair Nicholson said it was a high honor and an affirmation of the work being done at SOU for many years.

Discussing the dashboard, Mr. Morris said the fund balance has caught up with the prediction that it would be lower than the target. Labor continues to be higher than the burn rate but OPE is behind the burn rate. There have been some savings in OPE from changes in medical insurance enrollment during open enrollment.

Mr. Morris said the Joint Ways and Means co-chairs' budget increased the amount going to higher education beyond the governor's recommended budget but did not break out that increase by universities, community colleges, and the HECC. So, it is unclear what this means to the universities. In the many conversations the committee and the board will have, the governor's recommended budget will be used, hopefully, as the lowest possible funding and \$700 million will be used as the likely outcome after the co-chairs' budget is allocated between components of the higher education budget. Responding to Trustee Slattery's inquiry, Mr. Morris said the money going to the HECC is their operating budget, which he believed was \$7 million. Trustees Hennion and Vincent reminded the group of the Ways and Means Committee Roadshow at SOU on February 24 and encouraged students to attend en masse and make their points regarding the hardships of the cost of education.

Mr. Morris then mentioned proposed tuition rate increases at other universities at the governor's recommended budget level: U of O is looking at a 10.5 percent increase and an \$8 million cut in its operating budget while PSU is looking at a 9 to 10 percent increase along with a \$9 million cut in operating funds. Oregon State is looking at a 6 to 9 percent increase, depending on the funding level. Chair Nicholson reiterated that none of those universities have gone through retrenchment and the resultant expense-cutting. Mr. Morris mentioned that a couple of the California State presidents indicated there might be a 5 to 6 percent tuition increase, which may be relevant for WUE students.

Review of Pro Forma and Initial Enrollment Projections

Mark Denney combined two of his agenda items into one presentation. He reminded the trustees that he previously talked to them about the enrollment projection process. Prior to the retrenchment, OUS would develop a long-range enrollment projection, SOU's Institutional Research would refine those numbers, the deans and chairs would provide input, then SOU came up with its enrollment projection. Since retrenchment, there have been set targets and metrics, from which SOU did not have the luxury to

deviate. Mr. Denney thought it was time to break away from the retrenchment-imposed metrics.

Mr. Denney then discussed the graph for enrollment and tuition revenue, specifically retrenchment targets versus actual numbers. He pointed out that, in two of the last three years, SOU's performance was better than set out in the retrenchment plan but also has not hit projections in any of those years. He believes SOU needs to refine its analysis for a more accurate projection.

Mr. Denney worked with the pro forma, plugged in various rates and explained how it is used to project enrollment. Directing his next comment to the numerous students in attendance, Mr. Denney said it may appear like enrollment and the impact on students are just numbers, but they are absolutely not.

If tuition goes up enough, Mr. Denney said they would have to decide if they want to take some part of that and roll it into remissions to offset tuition for certain students based strictly on need. Responding to Chair Nicholson's inquiry, he said the financial aid office administers the remissions based on general guidance from the budget office and will make awards for the Fall '17 term for new and returning students. The hope is that it would positively influence enrollment as the remissions would give students the financial means to continue, although cost is only one factor of many that affect enrollment. Mr. Morris added that the administration may have to decide how to handle remissions earlier than April in order to get them into the pipeline.

Mr. Denney then addressed enrollment and tuition revenue based on historical trends for different categories of students. In fiscal years 2019-21, SOU will see improvement in the future trend lines from student success initiatives and other programs on campus to help students persist. He then demonstrated how the lines shift depending on the amount of tuition increases. SOU's history shows there is no direct correlation between enrollment and tuition increases below 10 percent and there is no historical data on an increase greater than 10 percent. Although no real data shows the effectiveness of an increase in the remissions budget, Mr. Denney said the model assumes 50 percent effectiveness, that half of the students who received remissions would have returned to SOU anyway and the other half returned because they received remissions.

Unlike the retrenchment model, the market elasticity model used to project enrollment takes into account current trends and factors influencing those trends. Responding to Trustee Vincent's inquiry, Mr. Denney said the data is not consistent regarding the impact large tuition increases have on enrollment, in part because there are many variables that affect enrollment.

Trustee Sevcik acknowledged the recurring comment that SOU has gone through retrenchment and cannot cut any further and said she needed to know what choices SOU will have if it does not get funding. Mr. Morris anticipates the legislature will ask the universities to describe what will happen if there is a decrease in the PUSF. SOU can detail the impact a decrease in funding would have on students but would be unable to specifically identify which programs would be eliminated or reduced or what

other steps would be taken. President Schott added there would definitely be an impact on personnel as well. Chair Nicholson said the pro forma enables the committee to see the factors that impact the budget, not just tuition revenue. Mr. Denney said U of O was looking at an \$8.8 million cut in addition to a 10.5 percent tuition increase, which is about 1.74 percent of its total expenditures; in comparison, SOU cut its total expenditures over 5 percent during retrenchment.

Preliminary Tuition and Fees Information

Mr. Denney said the Tuition Advisory Council (TAC) will meet in February or March to develop an early recommendation. He will present that recommendation to other campus committees and students and get their feedback. He will present the recommendation to the president and her cabinet. President Schott will then fully develop her recommendation to present to this committee in April. Responding to Chair Nicholson's inquiry, Mr. Denney said he shares the pro forma when working with the TAC and is expanding tuition-related communications with students. To develop a proposal, the TAC is reviewing information and historical data, looking at other campuses, comparing SOU's position in the market, examining elasticity, evaluating the financial impact on students and reviewing the pro forma.

Mr. Denney then discussed the status of mandatory fees. The student fee process is winding down for the incidental fee. In March, Tyler Takeshita will present the recommendation to President Schott. The students' target is to keep the incidental fee to a 5 percent increase. The health fee will probably be proposed around 5 percent as well, driven mostly by labor (primarily PERS increases) but no increase in services. The building fee will stay at \$45. The students have created a "rec center" steering committee and will set the rec center fee at a level sufficient to cover operating costs.

Mr. Denney reminded the committee members that a total increase of tuition and mandatory fees greater than 3 percent requires HECC review and greater than 5 percent requires HECC approval. This year, the HECC's definition of "mandatory fee" is one that all students pay but they do not determine the rate or what it is spent on. Fees that do not meet these requirements, such as the incidental and rec center fees, are not included in calculating the increase in tuition and mandatory fees.

Mr. Morris added the HECC is anticipating that, unless the legislature awards the additional \$100 million to the universities, all of them will submit requests for approval of increases over 5 percent. The HECC may hold the approval hearing at its May meeting. SOU will make its tuition and fee decision in April—before the outcome of the legislative funding is known—and may need to be creative in setting different tuition rates depending on the various funding levels. Responding to Trustee Vincent's inquiry, Mr. Morris said he hoped the board could draft its proposal so it would not necessitate revisiting the tuition decision after the legislature appropriates the funds.

At increases of 12 percent for tuition, 5 percent for mandatory fees and 3 percent for housing, Mr. Denney detailed the approximate additional annual costs for SOU undergraduate students: \$1,300 per year for resident students living in the residence halls; \$1,000 for those not living in the residence halls; \$1,600 for WUE students living

in the residence halls; and \$1,100 for WUE students not living in the residence halls.

Responding to Trustee Sevcik's inquiry, Mr. Morris said students who receive remissions do not have to work for them. He added that SOU provides many employment opportunities for students so those who want to work are able to do so. President Schott asked a question regarding entitlement to additional federal or state financial aid in addition to remissions if students' costs increase. Mr. Denney said the Pell Grant is fixed, will not increase, and there has been no indication that ceilings on other federal financial aid would be increased. There also are concerns about students' parents not qualifying for parent loans. Mr. Denney reminded trustees about a prior debt load presentation which showed the average debt load for SOU graduates was in the \$25,000 range, which was below both the national and state average. Further, 89 to 90 percent of SOU graduates carry that debt load.

Trustee Slattery expressed his concern with raising tuition in order to give money in remissions to other students. He wonders how students feel about this and wants them to have good conversations about it. Mr. Morris added that some of the modeling suggests if remissions are not increased, there would be enough of a decrease in enrollment that tuition would have to be higher; so, remissions help shore up enrollment. There would be further discussions on this issue.

Trustee Vincent reiterated the tuition decision is a difficult one and shared his own personal hardships as a student, underscoring that he understands students' position. Chair Nicholson added that these are not just numbers; it is personal and the trustees understand that.

Future Meetings

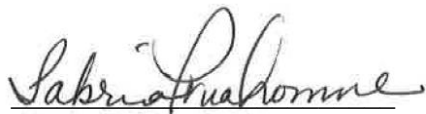
Chair Nicholson said the next committee meeting is March 16. Scheduled topics will include the pro forma, a fee update and drafts of the tuition.

Adjourn

Chair Nicholson adjourned the meeting at 5:05 p.m.

Date: March 16, 2017

Respectfully submitted by,



Sabrina Prud'homme
University Board Secretary