

Frequently Asked Questions Student Tuition Forum, January 2024

The Oregon Guarantee

- ***What is the Oregon Guarantee?***

The Oregon Guarantee is a tuition guarantee that applies to all undergraduate students who first enrolled on or after summer term 2020. It covers undergraduate tuition, most mandatory fees, Honors college differential tuition, undergraduate differential tuition at the College of Business, and the international fee. For these costs, the annual tuition and fee rates undergraduates pay when they first enroll don't change for five years. <https://financialaid.uoregon.edu/oregon-guarantee/>

- ***What about tuition costs for students who were enrolled at UO before summer term 2020?***

Undergraduate students who were already at UO prior to the implementation of the guaranteed tuition program now have locked tuition rate increases of 3% per year for up to three years (through FY2024). These increases are much lower than previous annual increases over the last decade. The 10-year average annual undergraduate tuition increase prior to the implementation of the guaranteed tuition program had been 5.4% for resident students and 4.3% for non-resident students.

- ***Which tuition and fees are discussed by TFAB now that the tuition guarantee is in place?***

The Tuition and Fee Advisory Board (TFAB) discusses tuition and fees for the incoming freshmen and transfer students each year. The rates that are set will hold for five years under the Oregon Guarantee. TFAB also discusses graduate tuition and fees, course fees, and other fees not included in the guarantee.

Tuition in general

- ***Is there a limit to how much tuition can be increased for the incoming cohort?***

Tuition is set and approved by the University of Oregon Board of Trustees. If the board approves an increase to resident undergrad tuition and fees of more than 5 percent, then the proposed increase needs to be approved by the Higher Education Coordinating Commission (HECC) or the legislature.

- ***Must resident and non-resident tuition and fees be raised by the same rate?***

There is no requirement to increase resident and non-resident tuition at the same rate.

- ***Tuition increases have had a disproportionate impact on the most vulnerable students at the UO. What is the university doing about that?***

The University of Oregon recognizes the importance of helping make college a reality for low-income families. For this reason, we have put significant resources into the [PathwayOregon program](#), which provides full tuition and fee scholarships to Oregonians who are academically qualified, PELL-eligible first-year freshmen. The program welcomed 674 new students in fall 2023. In addition to financial support, PathwayOregon students receive intensive advising services to help them navigate college. In total, 2,147 students are currently supported by PathwayOregon. Many of the students who benefit from PathwayOregon are the first in their families to go to college or are under-represented minorities. The university has been working hard to increase the diversity of our student population. Over the past ten years (Fall 2013-Fall 2023), we have seen a significant increase in the percentage of undergraduate students who are students of color from 22.0% to 35.5%.

Tuition cost drivers (and costs that do not impact tuition)

- ***What are the largest cost drivers that necessitate tuition increases?***

In addition to increases in faculty, staff, and graduate employee salary and wages (the majority of which are contractually obligated) increases to retirement costs set by the Public Employees Retirement System (PERS) and medical insurance costs set by the Public Employees' Benefits Board (PEBB) represent two of the largest cost drivers. The UO is legally required to participate in these state-mandated programs. When coupled with pay increases that are driven by collective bargaining agreements, these make up the vast majority of new expenses that the university must cover annually.

- ***A large portion of the cost drivers are based on salary increases for faculty and staff. Given the challenging budget situation, can't the university eliminate these increases?***

The university cannot unilaterally eliminate salary increases for faculty and staff. There are six labor unions on campus representing faculty and staff, each with a separately negotiated labor contract that stipulates the annual salary increases that the university is legally obligated to honor for each group. These increases are important, both to help us attract and retain talented faculty and staff and to keep pace with cost of living and market increases. Labor agreements reached with classified staff and faculty provide for cost-of living adjustments over multiple years as part of the collective bargaining process.

- ***Why are we constructing so many new buildings if we have such large budget issues? Isn't this driving tuition up?***

The construction of new buildings does not significantly affect tuition. The majority of the funds that are used to construct new buildings on campus are coming from donor gifts, state-paid bonds or non-tuition revenue. For example, the vast majority of the costs of the construction of Hayward Field was paid for with donor gifts. The new Knight Campus is entirely funded with donor gifts and state-paid bonds. Other examples of recent construction that are funded primarily through gifts and state-paid bonds include the new science library, Tykeson Hall, Huestis Hall, and the renovation of Chapman Hall for the Honor's College. Residence hall projects like those recently completed are financed through room and board charges to students who live in the residence halls.

- ***Are the salaries paid to coaches in the athletics department causing tuition increases?***

No, the athletics department does not receive funding from tuition dollars. They cover all of their operating costs with revenue generated from things like ticket revenue, PAC-12 conference distributions, and gifts. The university charges the athletics department, as well as other auxiliary operations (e.g., housing, the health center, etc.), an administrative overhead fee to account for the fact that they use university resources and services such as the financial system, general counsel's office, human resources, etc. In FY23, the athletics department paid approximately \$4 million in administrative overhead to the university. The athletics department also pays to the university the full amount of any and all scholarships it awards to student athletes, which amounted to \$11.2 million this past year. These funds support student athletes and the institution's academic operations.

State-mandated cost drivers: PERS and PEBB

- ***Why are the PERS increases so large? Who establishes these rates? Is it possible for the university to simply not fund the increases?***

The Public Employees Retirement System (PERS) is a state-mandated benefit for state employees, including UO faculty and staff. The program is managed at the state level and the rates are set by the PERS Board. The program does not currently have enough assets to pay for all of the retirement obligations promised to existing and former employees. As a result, rates continue to go up and the university is legally bound to pay those rate increases.

- ***I understand that the PERS program is underfunded. How long do we anticipate this situation continuing?***

Unfortunately, the PERS issue is a long-term problem. Given the current underfunded status of the state plan, we have been told to expect PERS rates to remain at their historical high levels for years to come.

Cost cutting

- ***Couldn't the university save money by offering cheaper online courses?***

The UO is committed to online learning that provides the same level of high-quality educational experience as in-classroom experiences, and we have been increasing our online academic offerings. Although it may seem counter-intuitive, online classes are often more expensive than traditional classes. This is due to many factors including the development cost of creating online classes, the technology platforms upon which classes are offered, and the operating costs associated with these classes, particularly in classes designed to provide students with accessible support such as tutoring. Many universities charge students extra fees on top of tuition to pay for these additional online course costs.

- ***Couldn't the university save money by cutting administrative salaries?***

In order to attract talented faculty and administrators to the university, the institution must offer salaries that are competitive in a national marketplace. Benchmark studies against the other public Association of American Universities (AAU) institutions show that, on average, the University of Oregon pays between 81 percent and 99 percent of the average of our peers for our employee groups. Cutting pay, either for administrators or faculty, would significantly impact our ability to recruit and retain faculty and staff. Additionally, some faculty and staff are part of collective bargaining units that would preclude such an action.

- ***Why don't we use carry forward to offset tuition costs?***

Carry forward funds are one-time funds that have not been spent in a given year, like a savings account. It is important that the university have carry forward funds to serve as a reserve or cushion for unexpected budget issues (e.g., drop in state appropriation, enrollment decline, unforeseen costs, etc.).

The university started FY24 with 9.9 weeks (\$114 million) of operating expenses in the Education and General ("E&G" Fund). This is spread across many units (e.g., departments, colleges, Student Affairs, Information Services, etc.). It is important the university maintain enough reserves in case of emergencies, just like any individual. The reason that tuition rates increase year-over-year is because the costs of

running the institution (e.g., salary costs, benefits costs, general inflation) increase each year. These cost increases are recurring and should be funded with recurring revenue. If the university used one-time funds (like carry forward balances) to cover these recurring costs, we would eventually run out, leaving the institution with a budget problem and no reserves.

Fundraising and scholarships

- ***What is the UO doing to offer more scholarships?***

This is an area where the UO has made tremendous progress. Funding for need- and merit-based scholarships increased from \$28.2 million in 2013-14 to \$68.9 million in 2022-2023, a gain of over \$40 million per year. One of the key fundraising focus areas going forward is additional scholarships for students, including more support for the PathwayOregon program.

- ***Why can't money from donors like Phil Knight be tapped for scholarships for students and to make donations that alleviate tuition increases?***

Private dollars can be used for scholarships, grants and other programs that reduce the cost of tuition for students. In fact, raising more money for such programs, including PathwayOregon, was one of the top priorities of the last fundraising campaign. Generous donors have already provided tens of millions of dollars in direct aid for scholarships and student support. However, donor dollars that have been given to support specific programs – such as new academic buildings, science initiatives, student centers, and classrooms – cannot be diverted for other purposes. When donors give to a specific project, it means that the gifts the university receives are restricted, and the university is legally required to use the funds for the purpose specified by the donor. The vast majority of funds that we receive from donors are restricted. That said, gift dollars frequently pay for enhancements to our campus and our programs, thereby substantively improving the quality of every student's experience.

- ***Why can't the funds from the university's last \$3 billion fundraising campaign be used to meet the budget pressures that we are facing?***

As with most fundraising campaigns, almost all of the funds that were raised in the university's fundraising campaign were restricted, which means that they cannot be diverted from their intended purpose to support general university operations. Rather, they must be used to support the specific program, initiative, scholarship program or academic unit that the donor specified when the funds were gifted. The university is legally obligated to follow the directions established at the time of the gift. These funds are generally not available to pay for university-wide operating costs, such as increases in faculty and staff salaries, or the cost of medical insurance or retirement programs.

- ***What is UO doing to try and ask the state for more money?***

The university works collaboratively with the other six public institutions in Oregon to advocate for greater resources for higher education and students. While we have been successful increasing the Public University Support Fund (PUSF) over the last decade, our overall funding level per student is still dramatically lower than more other states. As a state, Oregon currently ranks 44th in state funding per student for four-year universities

This has resulted in public universities like the University of Oregon being highly reliant on tuition to provide a high-quality education for our students.

The State of Oregon began its budget-setting process for the 2023-25 biennium in the spring of 2022 when the seven public universities submitted a consolidated funding request to the Higher Education Coordinating Commission (HECC). The HECC used that request to formulate a submission to Governor Tina Kotek, who released her recommended budget in January 2022. Kotek's budget included an 11% reduction in funds requested by public universities to maintain current service levels. After a positive economic forecast, the Legislature increased that investment, but still fell short of the university funding request by 4% in the budget passed in the 2023 legislative session.

Over the years, the most persuasive voices in Salem have consistently been student voices. If you are interested in getting involved on this issue, please contact Jenna Adams-Kalloch, UO Senior Director for State Affairs, at jadamsk@uoregon.edu. The UO Day at the Capitol in Salem is scheduled for February 8, 2024—contact Jenna for more information.