League of Educators and Students Slashing Tuition (LESS T)
Testimony on Higher Education Funding Levels 3/37/2013

The High Cost of the High cost of Higher Education

These high costs of post secondary education inhibit the scholastic success of students and the financial well being of recent graduates. The rising tuition forces many students to take on multiple jobs and work long hours on top of a regular course load. Other students must defer their tuition costs by taking on additional student loans. In 1993 the average student debt was $ 9,250. The average debt for students is currently $ 25,497. The level of college debt held in this country recently surpassed the amount of credit card debt at more than $1 Trillion. This rising debt leaves the recently graduated with an enormous financial burden, hindering their capacity for financial participation in Oregon's economy. Perhaps the highest cost of the rising expense of post secondary education is that an increasing number of students must delay their college plans or drop out in an attempt to join the work force.
Many students will never even begin.

The Need for Additional State Funding

When our parents generation was of college age Oregon payed roughly 40% of universities costs. Today that figure is 4.9%. Students are burdened in more ways than one by the state's lack of funding for higher education. 80% of students who qualify for state funded financial aid do not receive it. Students are often faced with additional fees and tuition hikes to make up the difference created by the state's waning support. The university is also forced to seek funds from sources whose priorities don't always align with the universities core education mission. In order to ensure that students have the resources they need and receive the quality education that they merit it is essential that schools have a stable supply of state funding. State funding ensures the public service mission of the university is met in good faith. Traditional levels of funding allow state universities to prioritize education over distracting projects that might attract outside funds and protecting students from increased financial burdens that they are in no position to shoulder alone.

Reducing Costs

While we think the main cause of the high level of tuition is a lack of state funding, there are likely other things that could be done to reduce marginal costs for students. These include ensuring quality of education and accessibility through affordability, the prioritization of Oregon students in decision making processes particularly related to Oregon university and college spending practices, and the prioritization of education in the allocation of resources (an example of this prioritization would be to adjust the administrator to professor ratio). Universities are large bureaucratic institutions and there are ways in which staff, students, and the legislature can work more effectively to reduce costs and ensure the same quality of education.

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Our Requests

1. Fund the Oregon University System at a level of $850 Million
2. Fund the Community College System at a level of $510 Million
3. Fund the Oregon Opportunity Grant at a level of $115 Million
4. Look for ways to include students and faculty more effectively in University Governance
5. Look for ways to reduce any unnecessary costs

Update on the Financial Condition of the OUS System and UO
March, 2013

Howard Bunsis

PhD, MBA, J.D., B.S., CPA

Professor of Accounting

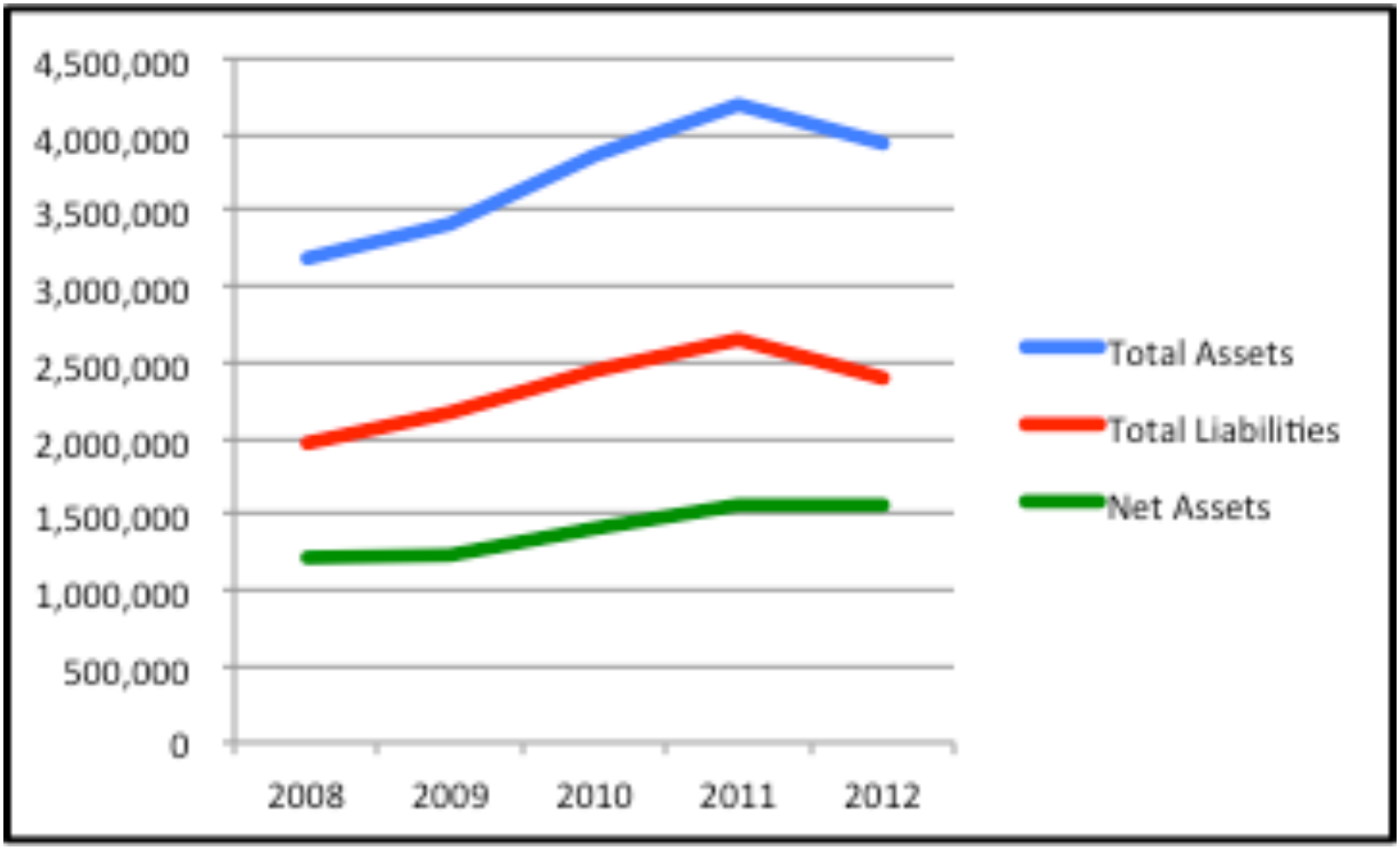
Eastern Michigan University

Chair, AAUP Collective Bargaining Congress

Summary

- **The OUS System and the University of Oregon are in solid financial condition. This conclusion is based on strong reserves and cash flows. This conclusion also holds up in the face of a significant decline in the state appropriation, though the future is looking better for the State of Oregon**
- **The administration is not completely committed to the core academic mission, as there is heavy administration spending and hiring over the last several years**
- **Enrollment and tuition revenue are growing; recent enrollment growth has focused on out-of-state residents**

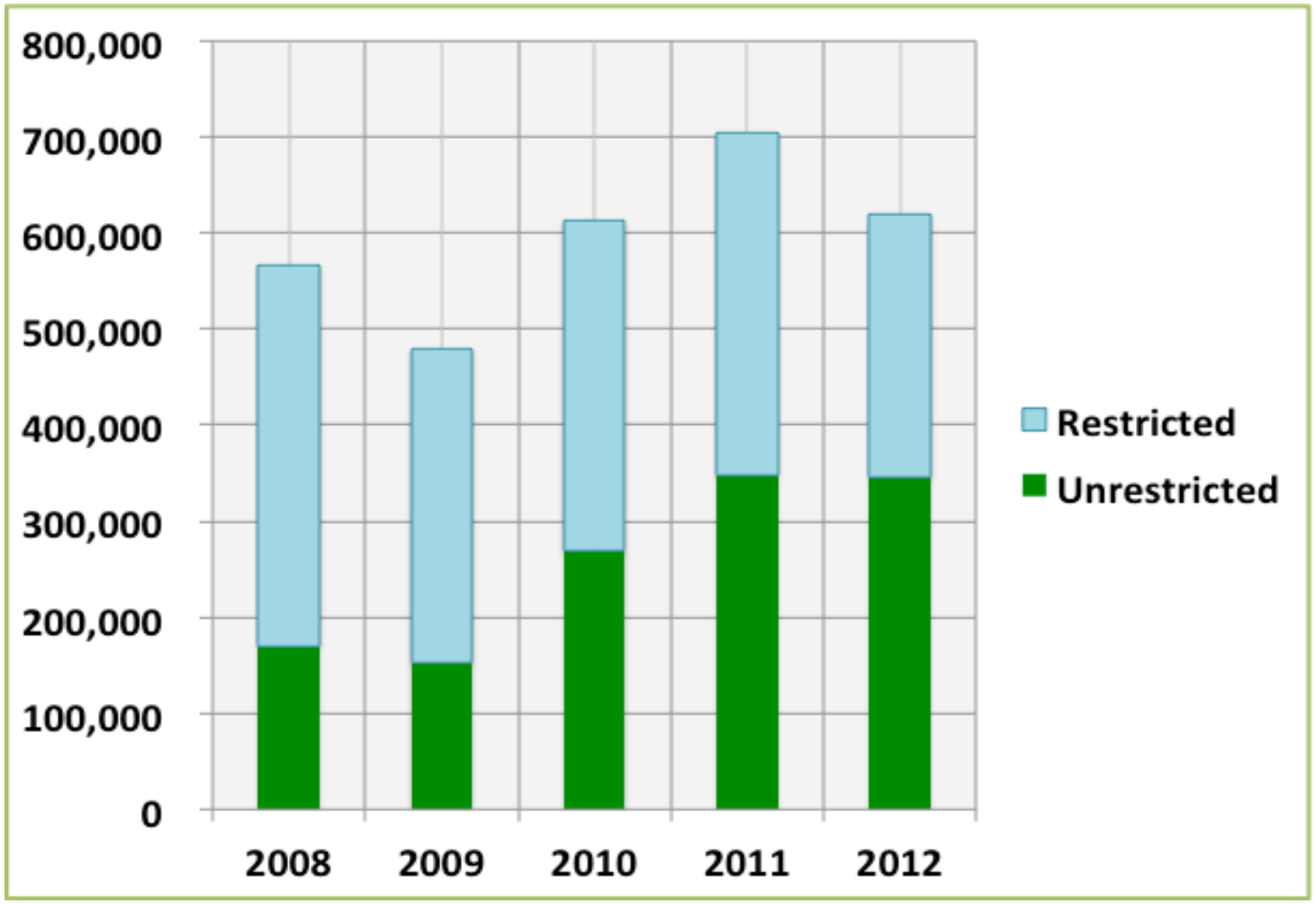
OUS System: Assets and Liabilities Down; Net Assets Up (Amounts in Thousands)



Source: OUS Audited Financial Statements

OUS System Reserves

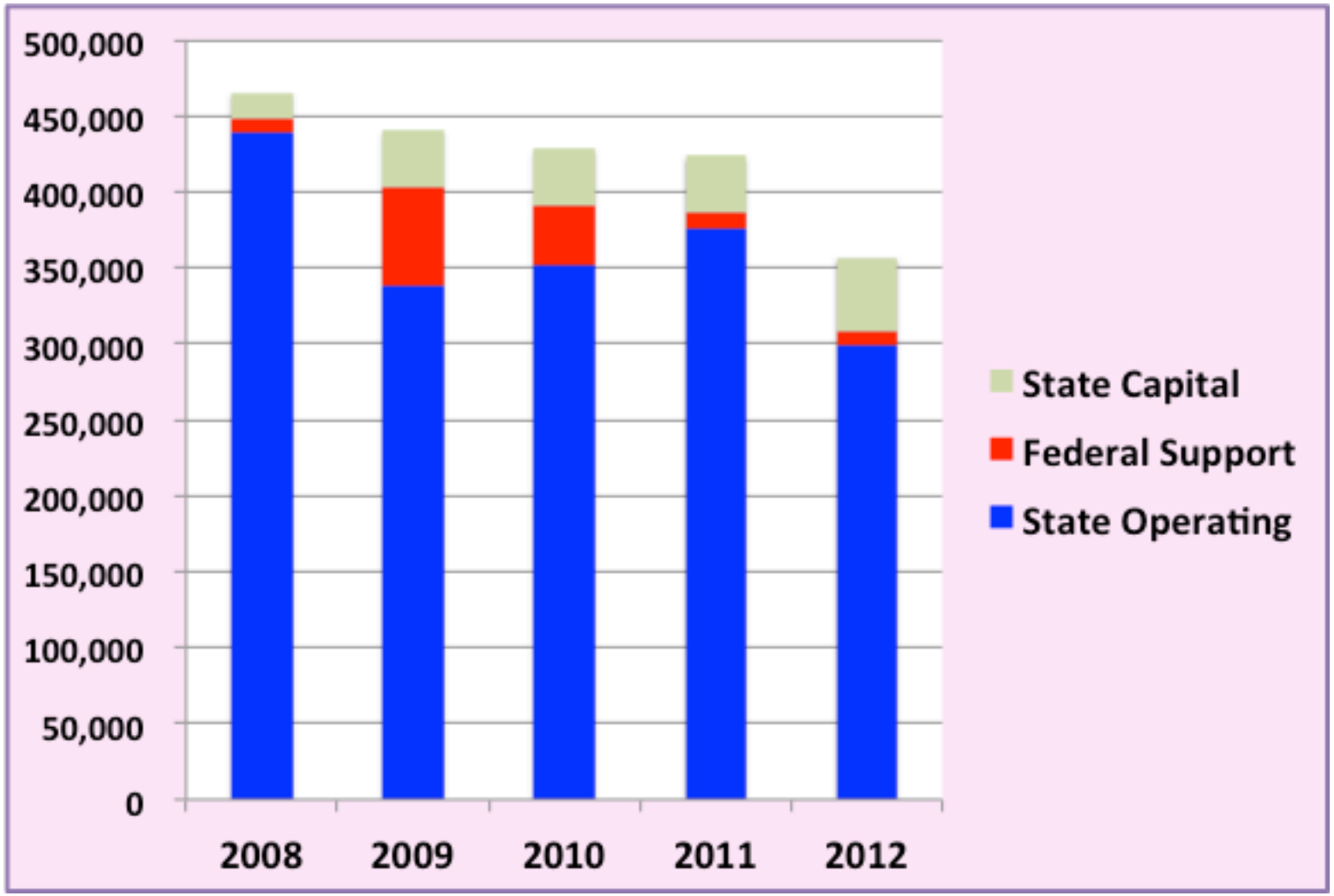
(Amounts in Thousands)



Source: OUS Audited Financial Statements

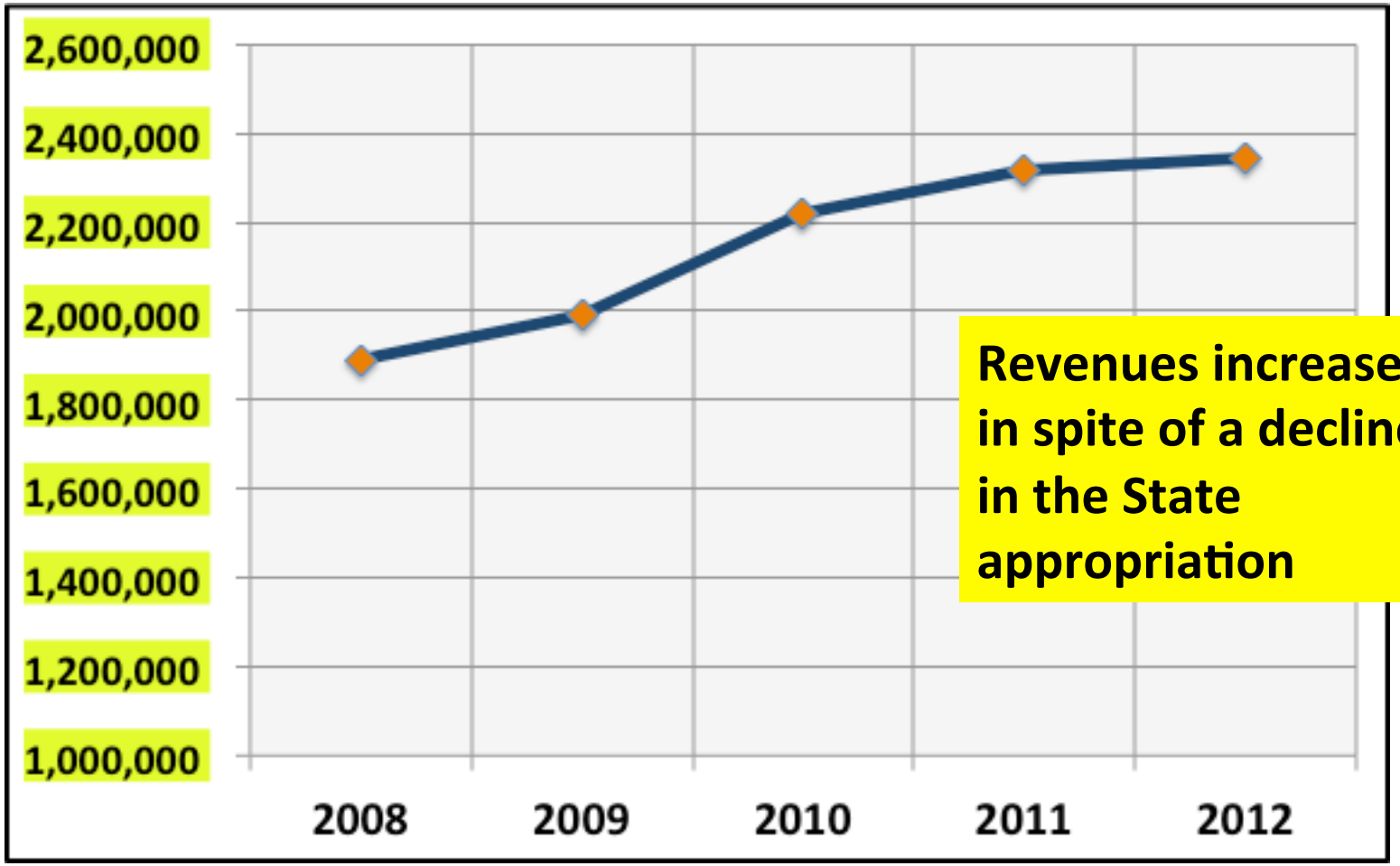
State Appropriation Over Time

Source: OUS Audited Financial Statements



OUS System Revenues are Up

Source: OUS Audited Financial Statements



2012-13 Estimates

Source: OUS Meeting: Board Committee on Finance & Administration; 2/15/2013

- 6% Increase in total revenues, due to:
  - An 8 percent increase in tuition revenue, due to:
    - Tuition rate increases
    - Projected 1 percent FTE enrollment increase
    - Change in the mix of student enrollment.
  - 5 percent due primarily to the normal 49 percent funding the first year of the biennium versus 51 percent for the second year.
- Year-to-date (2012-13):
  - Revenue collections are 5 percent over the prior year
  - Spending is up 4 percent year-to- date

Potential 2013-15 State Appropriation

Source: OUS Meeting: Board Committee on Finance & Administration; 2/15/2013

In Millions	2009-11 Legislature Approved Budget	2011-13 Legislature Approved Budget	2013-15 Governor's Balanced Budget	2013-15 Current Service Level per SB 242
Education & General	633.3	486.5	521.0	522.5
Agriculture Experiment Station	53.5	51.8	51.8	54.9
Extension Services	39.1	37.5	37.5	39.7
Forest Research Lab	5.8	5.7	5.7	6.0
Debt Service	68.7	86.8	92.7	95.9
Total General Fund	800.5	668.3	708.6	719.0
Potential GF Reductions:				
5%				(36.0)
10%				(71.9)
15%				(107.9)

Unemployment Picture is Improving in Oregon

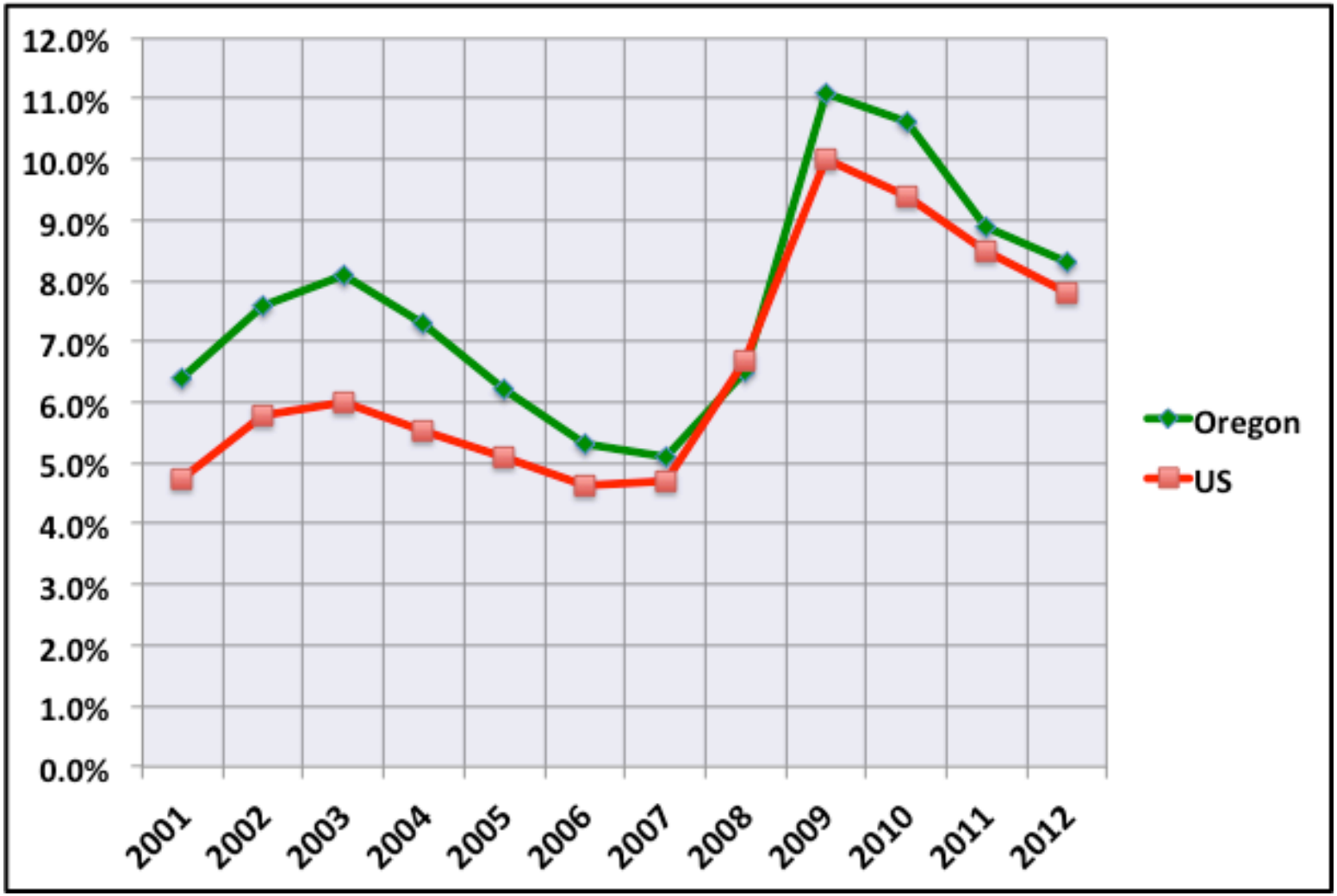
Source: Bureau of Labor Statistics, January, 2013

Oregon 11th highest in 2012 (7th in 2010)

	Dec-09	Dec-10	Dec-11	Dec-12
Rhode Island (highest)	11.9%	14.1%	12.1%	9.9%
Nevada	13.0%	14.5%	12.6%	9.8%
California	12.3%	12.5%	11.1%	9.8%
North Carolina	10.9%	9.8%	9.9%	9.4%
Michigan	14.5%	11.7%	9.3%	8.9%
Oregon	10.6%	10.6%	8.9%	8.3%
Florida	11.7%	12.0%	9.9%	7.9%
US Average	9.9%	9.4%	8.5%	7.8%
Washington	9.2%	9.3%	8.5%	7.5%
Colorado	7.3%	8.8%	7.9%	7.5%
New York	8.9%	8.2%	8.0%	7.2%
Virginia	6.8%	6.7%	6.2%	5.6%
Iowa	6.5%	6.3%	5.6%	5.0%
North Dakota (low)	4.3%	3.8%	3.3%	3.2%

Oregon and US Unemployment Rates

Source: Bureau of Labor Statistics



Oregon Tax Structure:
Is there a Sales Tax in Your Future?

Table 2: OREGON'S TAX REVENUE

REVENUE CATEGORIES	$ PER PERSON	RANK AMONG THE STATES
TOTAL TAXES	$3,420	35
PERSONAL INCOME TAX	$1,289	5
CORPORATE INCOME TAX	$104	25
PROPERTY TAX	$1,287	26
GENERAL SALES TAX	0	47*
SELECTIVE SALES TAXES	$343	42
OTHER TAXES	$473	7

* tied with 3 other states.

- **Oregon is also 35th in the country in tax burden on a % of income basis**
- **In 1989, Oregon had the 10th highest US tax burden on a % of income basis, and was 21st on a per-capita basis**

Source: 2013 Public Finance Basic Facts from Oregon Legislative Revenue Office

Oregon's revenue forecast on bright side

The Register-Guard February 16, 2013

- SALEM — A big jump in 2012 tax income filings and continued slow but steady economic growth will give state lawmakers a little more revenue to work with as they plan for the next two-year budget period.
- The state revenue forecast, released Friday, shows that projected revenues for the 2013-15 biennium, which starts in July, are up by a net $87.1 million over previous estimates. The addition will represent less than 1 percent of the state's projected two-year, $16.6 billion general fund and lottery fund revenues.
- Oregon's housing market is improving and its job growth is tracking with the national average. Job growth is strongest in the service industry, business services, and health care and education fields.
- Conversely, almost nowhere in Oregon has personal income climbed back to pre-recession levels. And job growth in the construction and manufacturing industries is still weak.
- If the latest revenue projections hold true, the 2011-13 revenue increase won't be enough to trigger either the personal or corporate tax kicker — which come into play when state tax revenues beat projections by more than 2 percent.

242 Legislation

- SB 242 formally changed OUS from a state agency to a public university system. This is hoped to:
  - Make more efficient legal decisions
  - Save money
  - Review healthcare and retirement plans and options (preliminary report said not to transfer to OEBB from PEBB)

40-40-20 per Senate Bill 253

- By 2025, all adult Oregonians will hold a high school diploma or equivalent
  - 40% will have an associate's degree or a meaningful postsecondary certificate
  - 40% will hold a bachelor's or advanced degree
  - 20% will have a high school diploma or equivalent

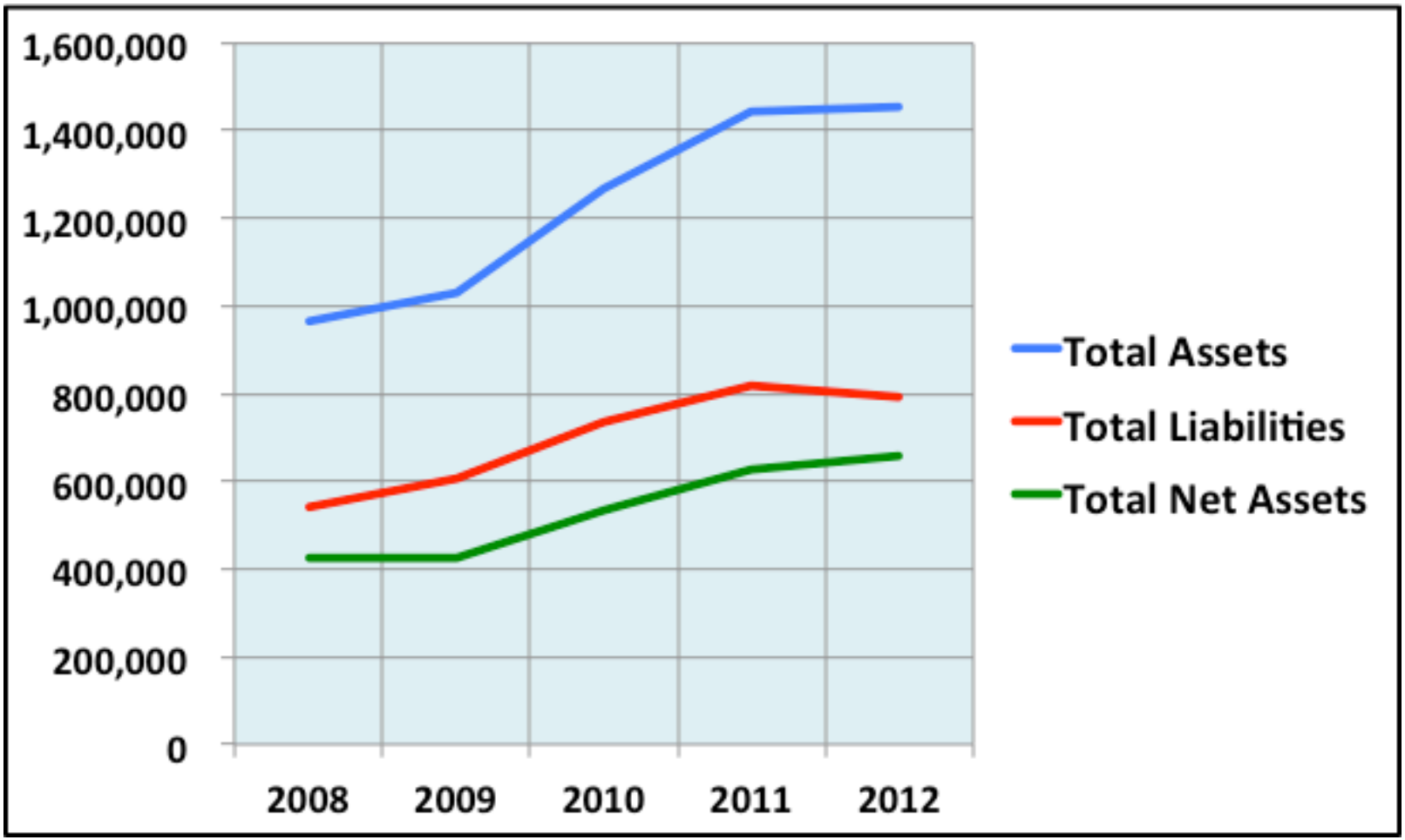
Educational Attainment

Source: U.S. Statistical Abstract, 2012

State	Bachelor's degree or more	Advanced degree or more	High school graduate or more
Massachusetts	38.2	16.4	89.0
Colorado	35.9	12.7	89.3
Virginia	34.0	14.1	86.6
New York	32.4	14.0	84.7
Washington	31.0	11.1	89.7
California	29.9	10.7	80.6
Oregon	29.2	10.4	89.1
United States	27.2	10.2	85.3
North Carolina	26.5	8.8	84.3
Texas	25.5	8.5	79.9
Florida	25.3	9.0	85.3
Michigan	24.6	9.4	87.9
Idaho	23.9	7.5	88.4
Wyoming	23.8	7.9	91.8
Nevada	21.8	7.6	83.9
Oregon Rank	18 of 50	18 of 50	14 of 50

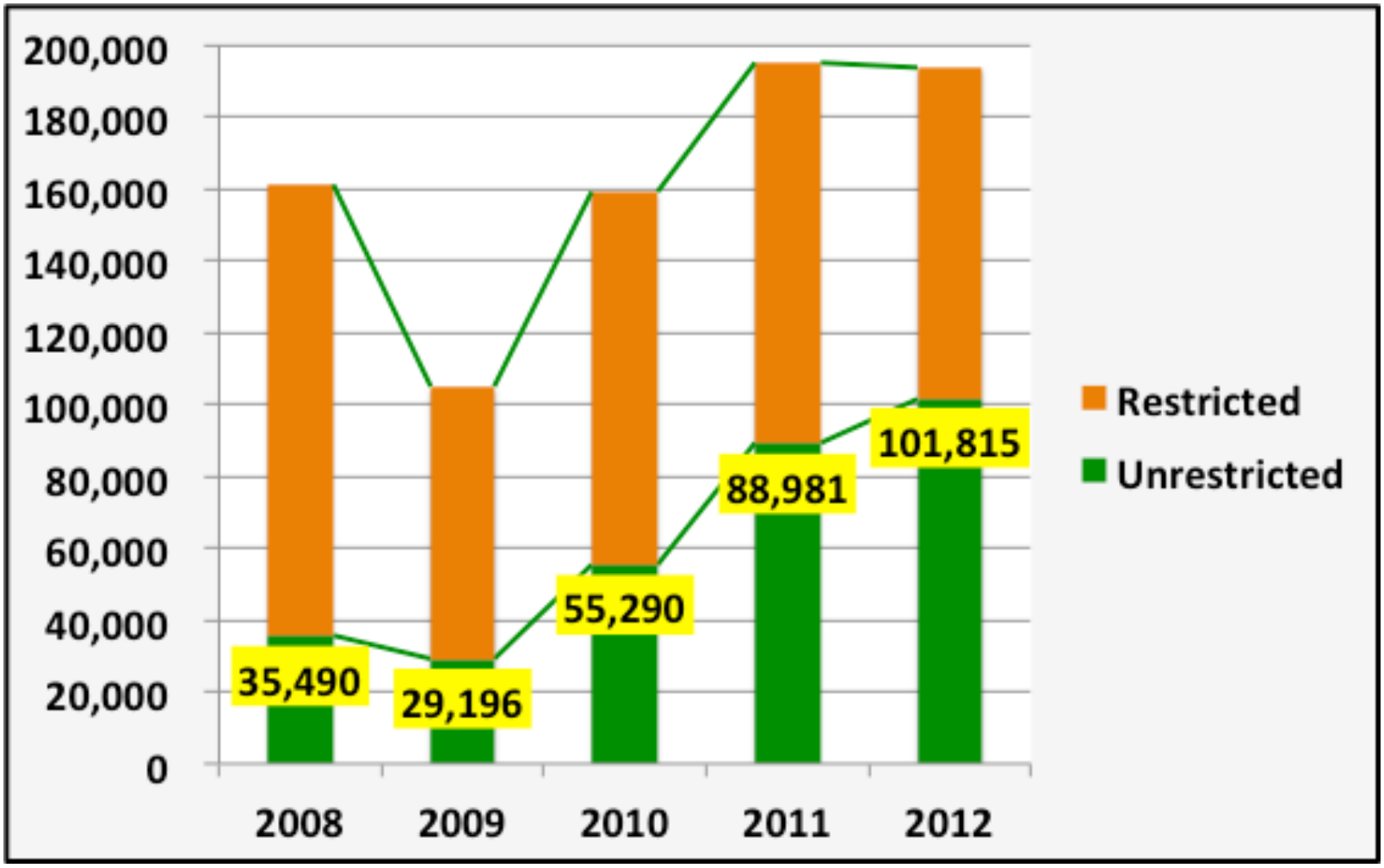
UO Balance Sheet

2011 to 2012: Assets and Net Assets Up; Liabilities Down



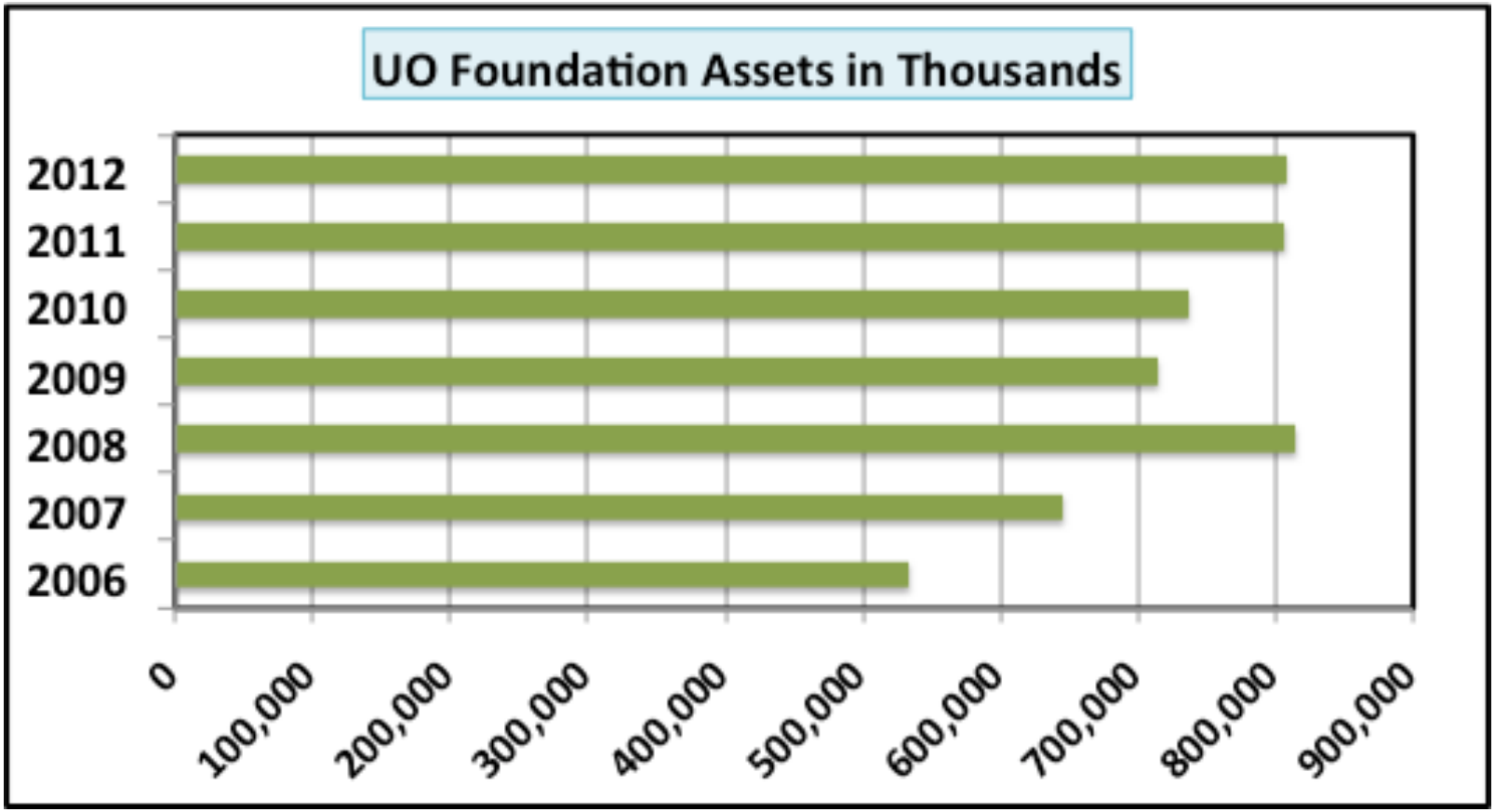
Source: OUS Audited Financial Statements

UO Reserves: Unrestricted Reserves are Increasing and Now Over $100M



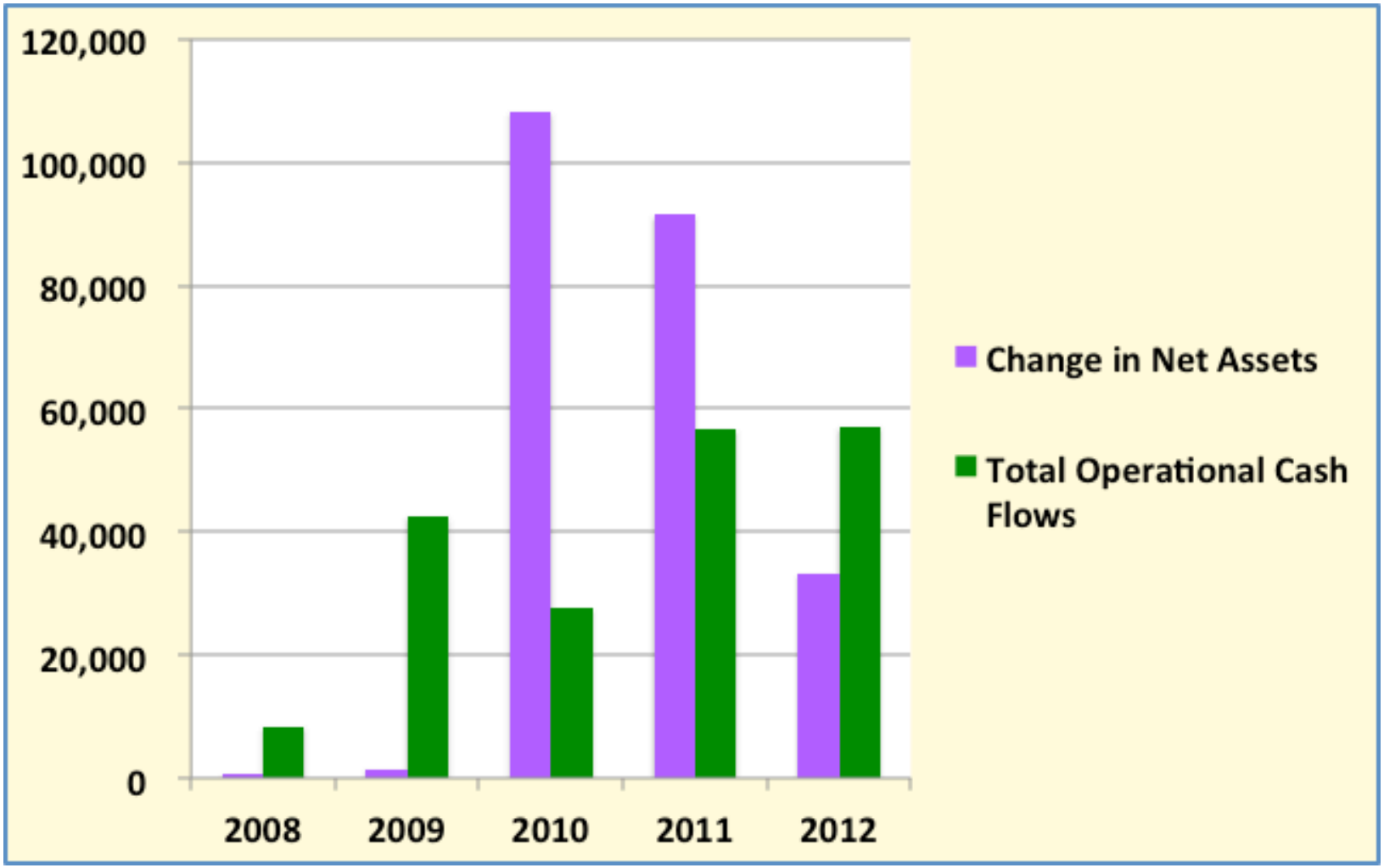
Source: OUS Audited Financial Statements

UO Foundation Assets



Source: OUS Audited Financial Statements

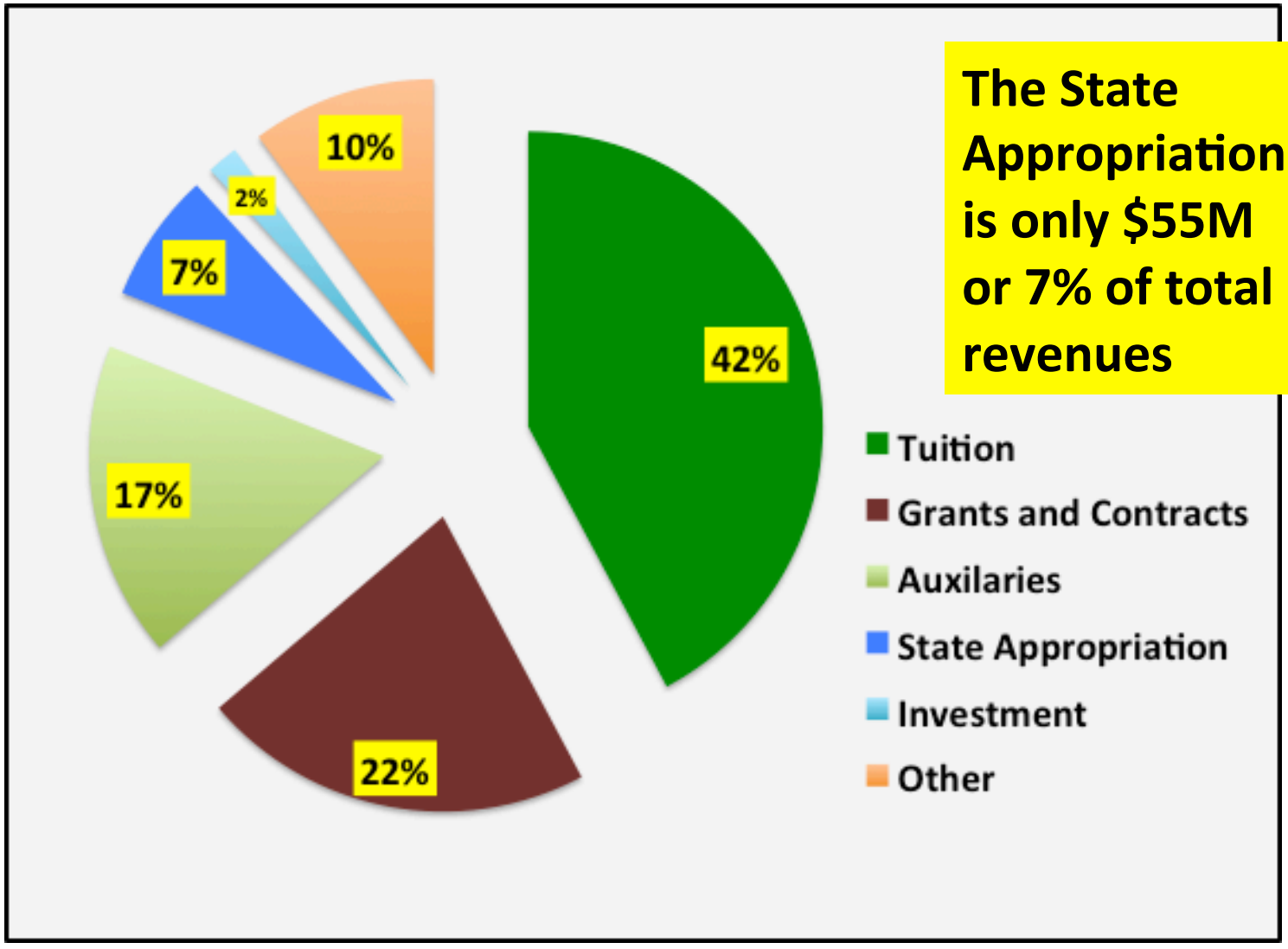
Revenues > Expenses and Positive Cash Flows Every Year



Source: OUS Audited Financial Statements

2012 UO Revenue Distribution

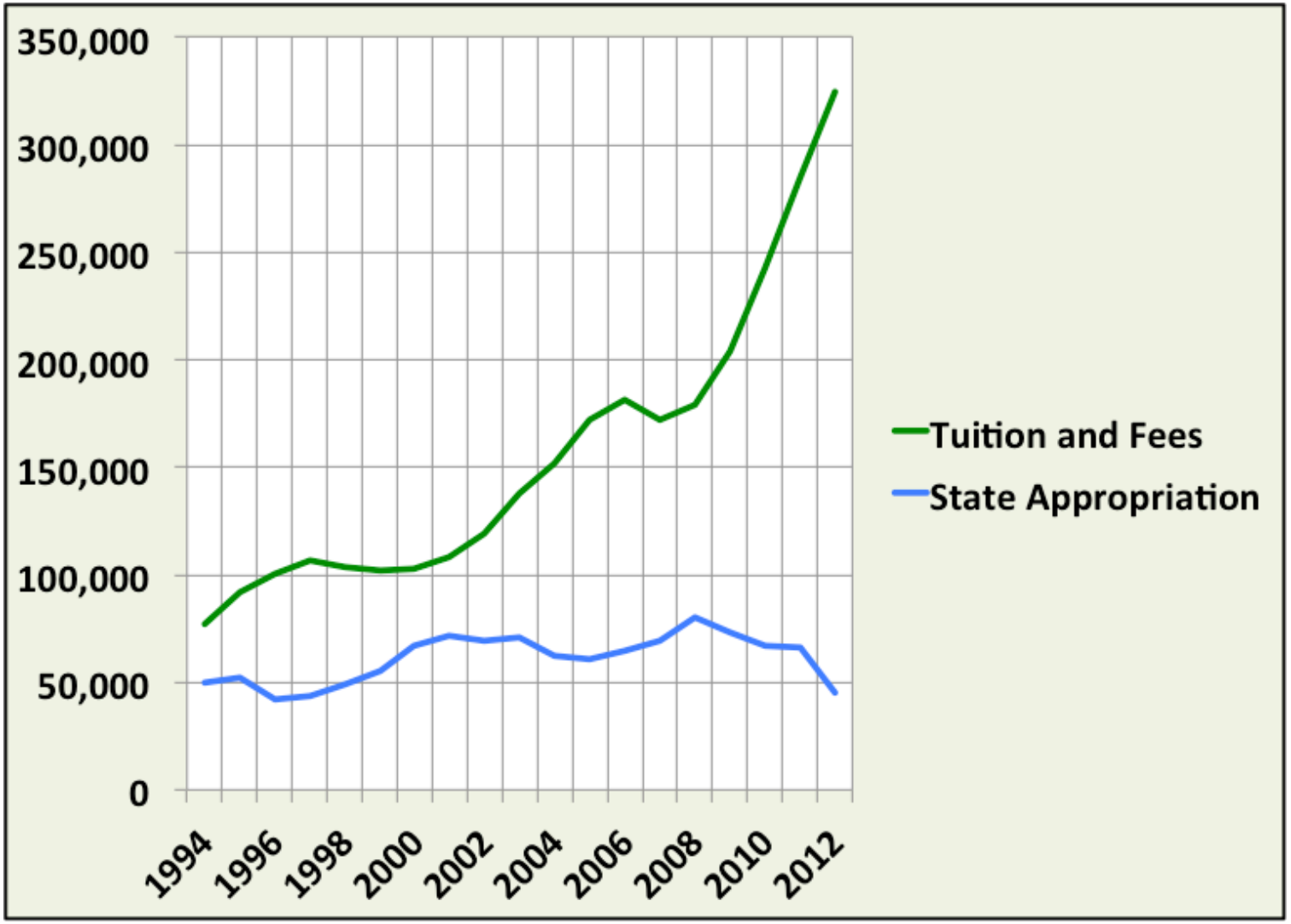
Source: OUS Audited Financial Statements



The State Appropriation is only $55M or 7% of total revenues

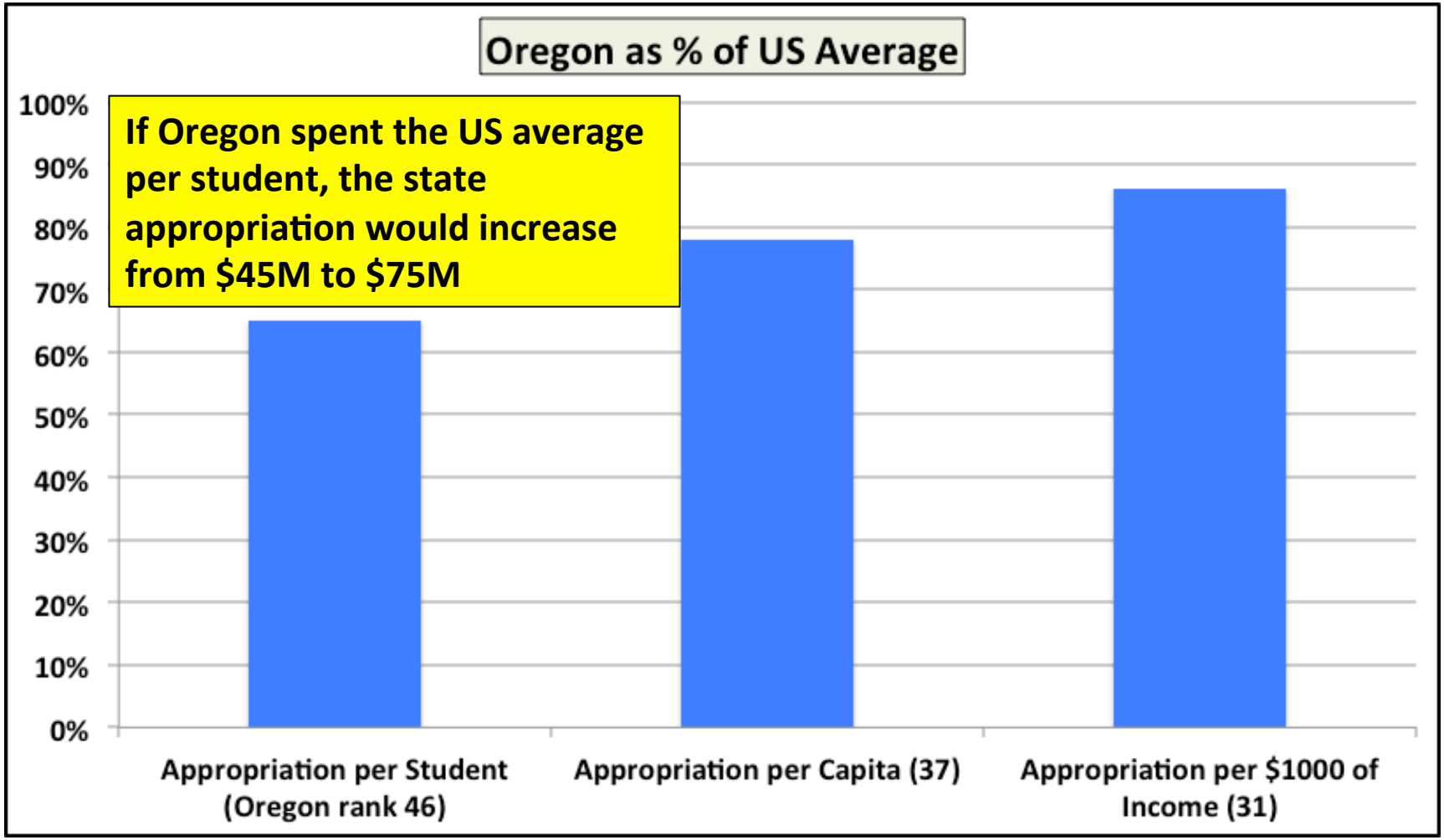
Tuition vs. State Appropriation Over Time

Source: UO Office of Institutional Research



Oregon Vs. Other States

Source: State Higher Education Executive Officers (SHEEO, March 5, 2013)



Distribution of Expense: 2008 to 2012

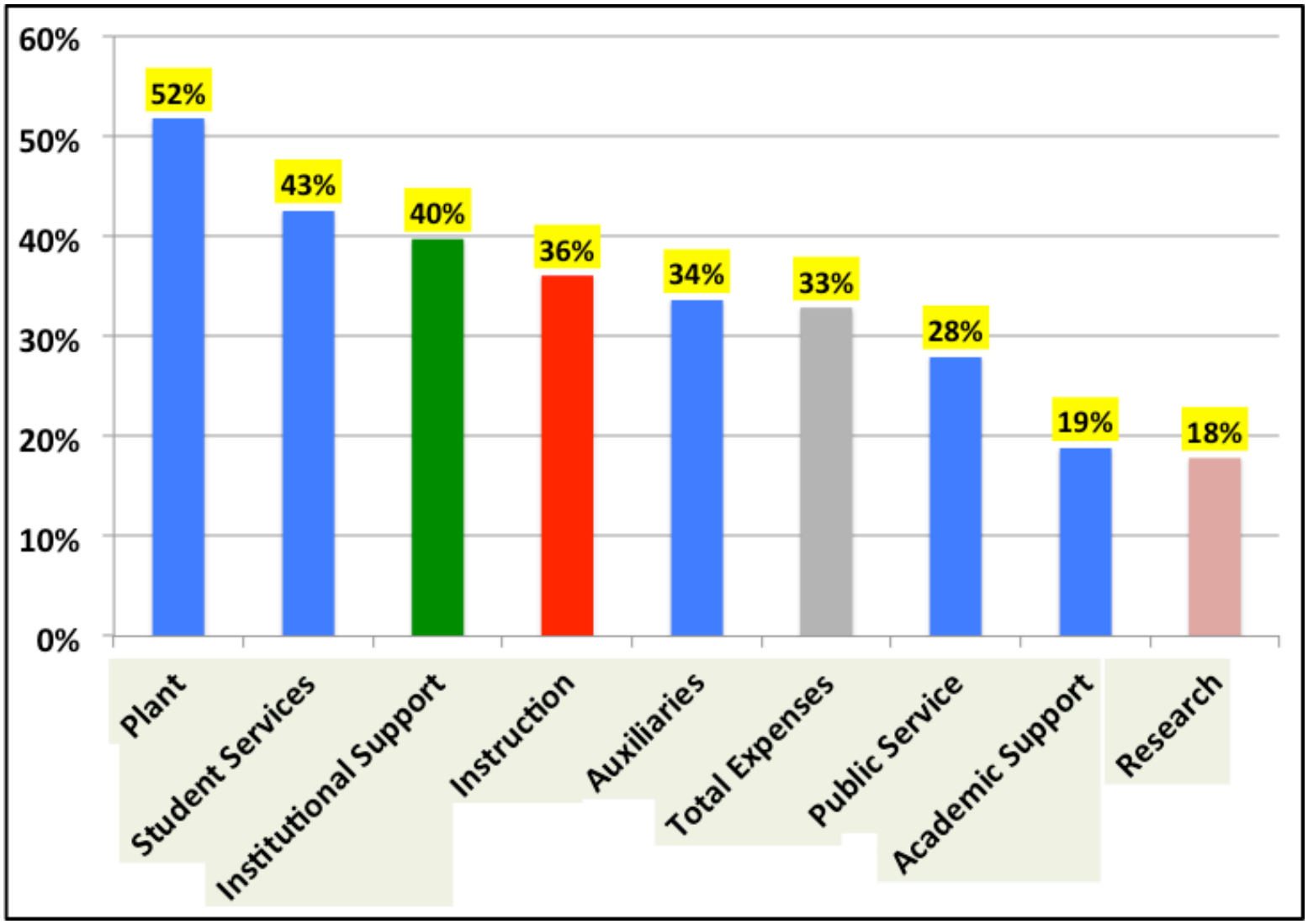
Source: OUS Audited Financial Statements

% of Total Expenses	2008	2009	2010	2011	2012
Instruction	**30.2%**	**29.4%**	**28.4%**	**30.1%**	**30.9%**
Research	**12.0%**	**12.5%**	**12.2%**	**12.1%**	**10.7%**
Public Service	**5.5%**	**5.3%**	**5.2%**	**5.5%**	**5.3%**
Academic Support	**6.6%**	**6.4%**	**6.0%**	**6.0%**	**5.9%**
Student Services	**4.0%**	**4.1%**	**4.0%**	**4.1%**	**4.3%**
Auxiliaries	**20.2%**	**19.6%**	**22.0%**	**20.2%**	**20.3%**
Plant	**3.8%**	**3.6%**	**4.1%**	**4.4%**	**4.4%**
Institutional Support	**8.0%**	**8.4%**	**8.4%**	**8.7%**	**8.4%**
Student Aid	**2.1%**	**2.5%**	**2.7%**	**2.3%**	**2.0%**
Interest	**2.5%**	**4.4%**	**3.5%**	**3.1%**	**4.1%**
All Other	**5.0%**	**3.9%**	**3.6%**	**3.5%**	**3.7%**
Total Expenses	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

- **Instruction and research are the core academic mission**
- **Public service, academic support, student services, and institutional support are mostly administrative functions**
- **Definitions of these categories are in the appendix**

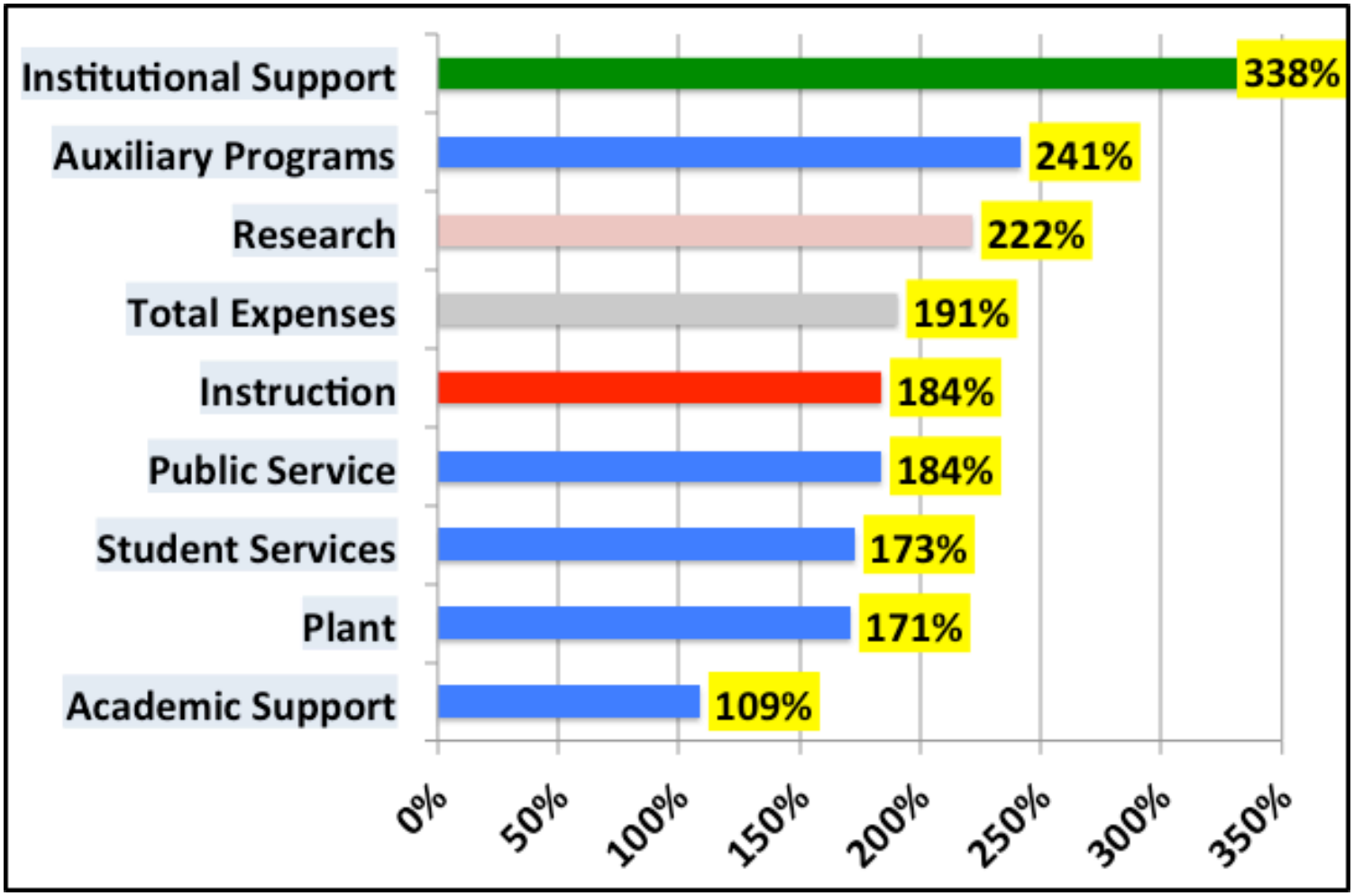
% Change in Main Expenses: 2008 to 2012

Source: OUS Audited Financial Statements



% Change in Main Expense: 1994 to 2012

Source: UO Office of Institutional Research



IPEDS Expense Analysis: Instruction

	2005	2011	$$ Change	% Change
Salaries	77,575,422	112,597,400	35,021,978	45%
Benefits	37,790,030	63,501,858	25,711,828	68%
Plant	0	10,394,208	10,394,208	NA
Depreciation	0	10,658,772	10,658,772	NA
Interest	0	6,692,798	6,692,798	NA
Other	15,215,945	29,085,683	13,869,738	91%
Total Instruction	130,581,397	232,930,719	102,349,322	78%

- Instruction is a lot more than salary and benefits
- What is other?

2011 Instructional Salaries and Benefits in Context

Source: IPEDS

Total Instructional Salaries	112,597,400
Total Instructional Benefits/Related	63,501,858
Total Instructional Salaries and Benefits	176,099,258
Total UO Expenses	685,800,664
Instructional Salaries & Benefits as % of Total Expenses	25.7%

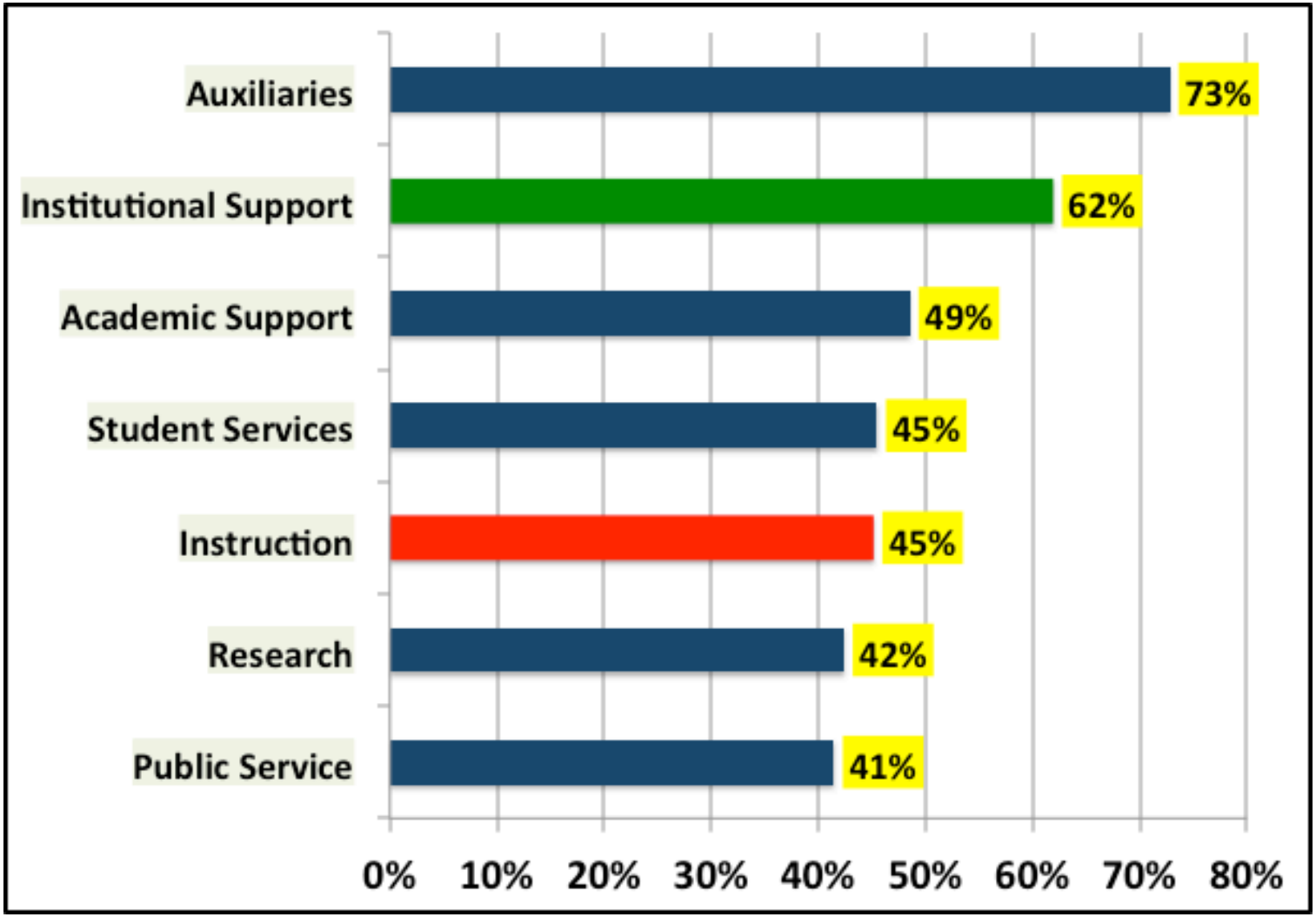
Total Salary and Benefit Costs in Context per IPEDS

In Millions	2005	2006	2007	2008	2009	2010	2011
Total Salaries	194.7	205.4	218.1	235.4	256.1	271.7	288.8
Total Benefits	88.6	104.5	109.7	118.6	132.9	142.3	147.0
Total Salaries and Benefits	283.3	310.0	327.8	353.9	389.0	413.9	435.8
Total Expenses	432.1	477.3	501.5	540.0	610.9	651.4	685.8
% of Total	65.6%	64.9%	65.4%	65.5%	63.7%	63.6%	63.5%

IPEDS Expense Analysis: Institutional Support (Upper-Level Administration)

	2005	2011	$$ Change	% Change
Salaries	17,807,596	28,835,306	11,027,710	62%
Benefits	9,109,873	13,573,915	4,464,042	49%
Plant	0	2,997,337	2,997,337	NA
Depreciation	909,973	3,073,628	2,163,655	NA
Interest	0	1,929,976	1,929,976	NA
Other	3,692,520	16,759,155	13,066,635	354%
Total Institutional Support	31,519,962	67,169,317	35,649,355	113%

Comparison of Salary Components in Major Expenses: % Changes From 2005 to 2011 (Source: IPEDS)

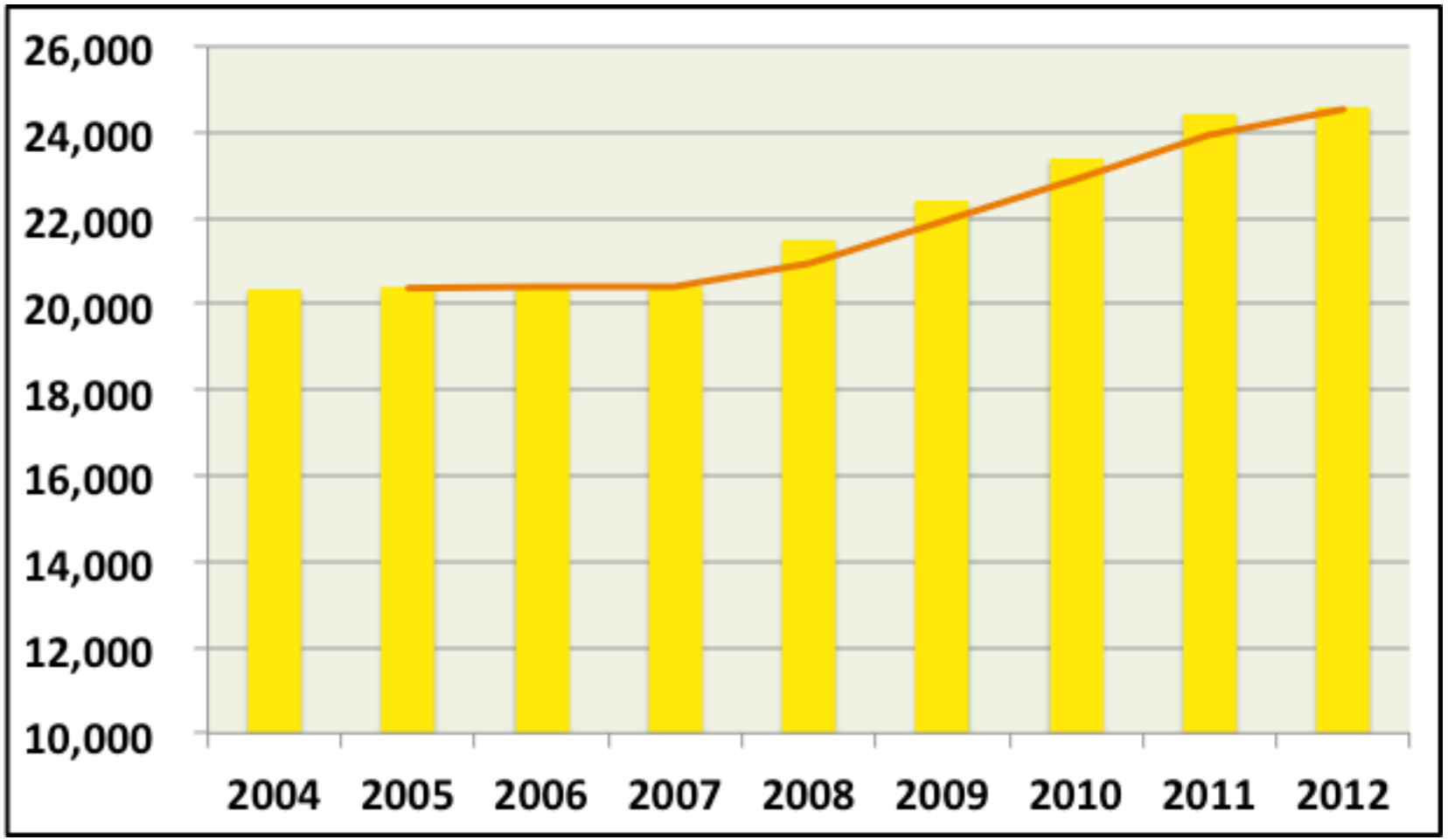


UO Faculty Salaries vs. UO Administration-Defined Peers
Source: AAUP Salary Surveys

2012 Salary Survey	Full	Associate	Assistant	Instructor
University of Michigan	148,778	98,206	85,805	64,602
University of North Carolina	143,982	94,612	80,470	100,567
University of Virginia	141,629	94,986	80,270	50,550
UC Santa Barbara	138,615	85,361	78,454	
University of Iowa	130,025	86,372	74,081	40,259
University of Washington	122,689	88,286	79,339	45,276
U Colorado Boulder	125,511	90,256	77,493	53,853
Indiana University	128,390	87,045	77,376	
University of Oregon	112,252	79,616	74,032	47,722
UO Rank (all years)	9 of 9	9 of 9	9 of 9	5 of 7
Average without UO	134,952	90,640	79,161	59,184
UO vs. Average	(22,700)	(11,025)	(5,129)	(11,462)
Gain (Loss) from 2006 to 2011	(1,679)	478	4,094	1,352
Gain from 2011 to 2012	2,752	1,179	(200)	(691)

UO Enrollment is Growing

Fall Enrollment: UO Office of Institutional Research



Enrollment Detail: In-State vs. Out of State

Source: UO Office of Institutional Research

Fall:	Oregon	Non-Oregon	Total	% Oregon	% Out of State
2010	13,260	10,129	23,389	56.7%	43.3%
2011	13,344	11,103	24,447	54.6%	45.4%
2012	12,917	11,674	24,591	52.5%	47.5%
Fall:	California	Washington	Foreign Country	Other States	Total Out of State
2010	3,975	1,014	1,809	3,331	10,129
2011	4,527	1,050	2,116	3,410	11,103
2012	4,780	983	2,656	3,255	11,674
% of Total:	California	Washington	Foreign Country	Other States	Total Out of State
2010	17.0%	4.3%	7.7%	14.2%	43.3%
2011	18.5%	4.3%	8.7%	13.9%	45.4%
2012	19.4%	4.0%	10.8%	13.2%	47.5%

Tuition Over Time

Source: UO Office of Institutional Research

Academic Year	UG Resident Tuition and Fees	UG Non-Resident Tuition and Fees	Ratio
2004-05	$5,121	$16,065	3.14
2005-06	$5,193	$16,569	3.19
2006-07	$5,349	$17,085	3.19
2007-08	$5,526	$17,598	3.18
2008-09	$5,688	$18,117	3.19
2009-10	$6,260	$19,355	3.09
2010-11	$6,804	$20,916	3.07
2011-12	$7,277	$22,370	3.07
2012-13	$7,708	$23,188	3.01

Analysis of Tuition Revenue

Source: UO Office of Institutional Research

% Change in:	Enrollment	Resident Tuition and Fees	Non-resident Tuition and Fees	Tuition and Fee Revenue
2005 to 06	0.3%	1.4%	3.1%	5.6%
2006 to 07	-0.03%	3.0%	3.1%	-5.2%
2007 to 08	-0.1%	3.3%	3.0%	3.9%
2008 to 09	5.6%	2.9%	2.9%	14.1%
2009 to 10	4.1%	10.1%	6.8%	19.2%
2010 to 11	4.5%	8.7%	8.1%	17.3%
2011 to 12	4.5%	7.0%	7.0%	13.8%
2012 to 13	0.6%	5.9%	3.7%	??
2004 to 2012	21%	51%	44%	89%

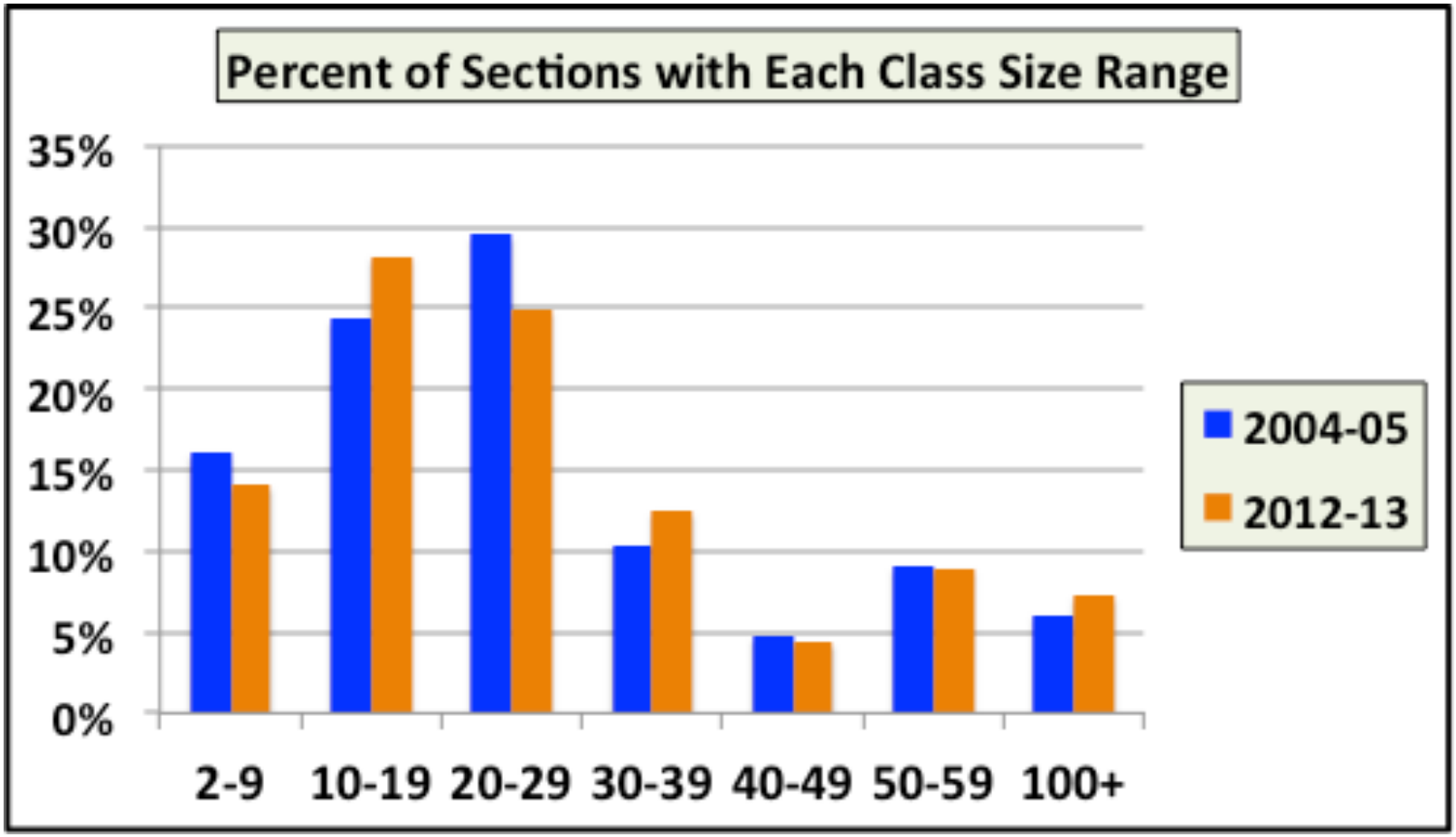
UO Class Sizes are Increasing

Source: UO Common Data Set

2004-05								
# of Students Per Section	2-9	10-19	20-29	30-39	40-49	50-99	100+	Total
# of Sections	299	452	549	193	88	168	113	1862
2012-13								
# of Students Per Section	2-9	10-19	20-29	30-39	40-49	50-99	100+	Total
# of Sections	287	575	508	254	89	182	147	2042
# of Students Per Section	2-9	10-19	20-29	30-39	40-49	50-99	100+	Total
Change in # of Sections	(12)	123	(41)	61	1	14	34	180

Class Size Changes Graphically

Source: UO Common Data Set



Number of Employees

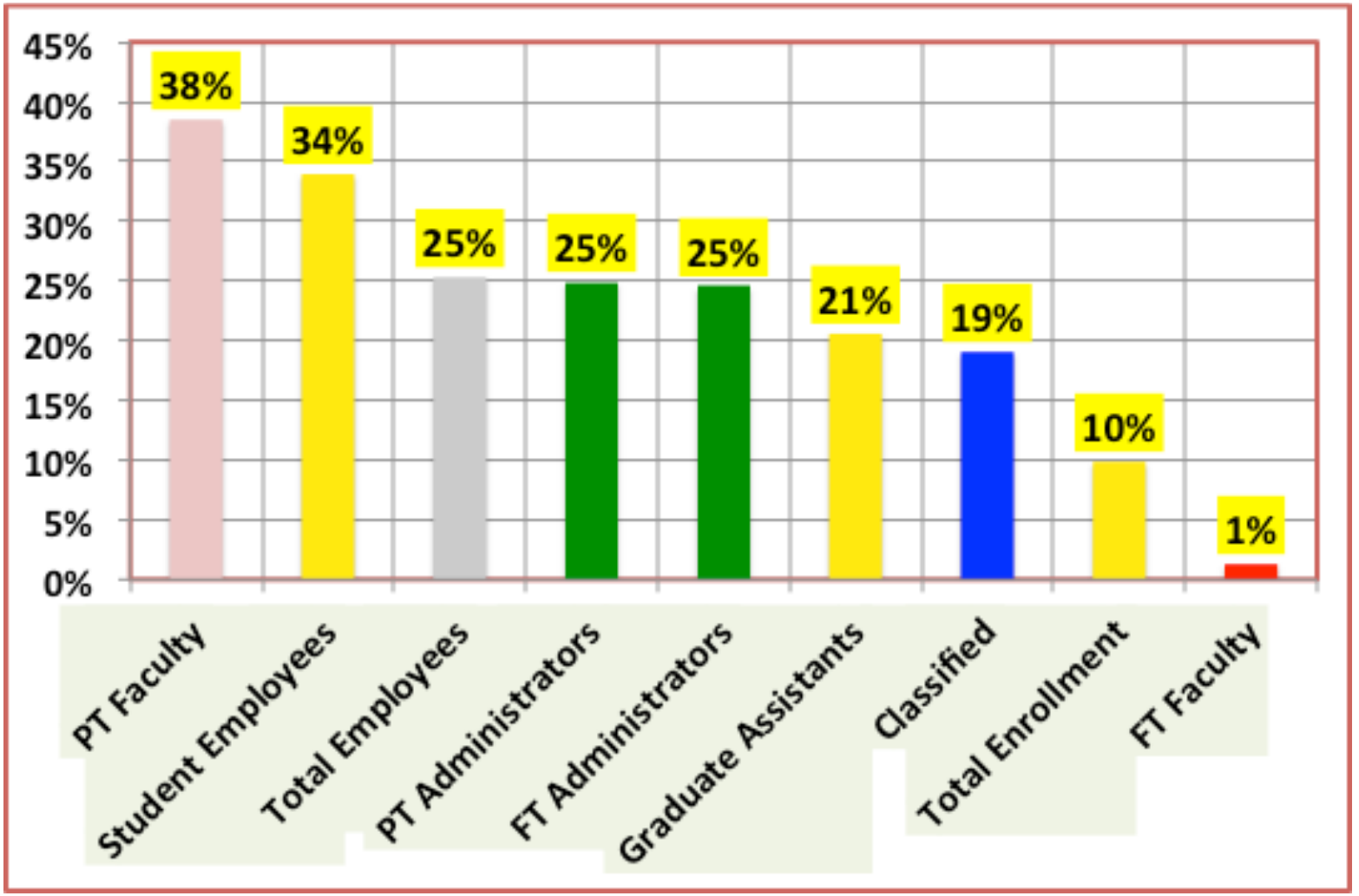
Source: Office of Institutional Research - UO Employee Head Counts

	Fall 2005	Fall 2010	Fall 2011	Fall 2012
FT Faculty	1,092	1,255	1,289	1,360
PT Faculty	574	674	695	717
FT Administrators	813	1,021	1,091	1,126
PT Administrators	156	190	187	158
Graduate Assistants	1,338	1,389	1,472	1,470
Classified	1,365	1,559	1,585	1,625
Student Employees	2,693	3,075	3,356	3,607
Total Employees	8,031	9,163	9,675	10,063
Total Enrollment	20,394	23,389	24,447	24,591
% Changes:	2005 to 12	2010 to 12	2011 to 12	
FT Faculty	25%	8%	6%	
PT Faculty	25%	6%	3%	
FT Administrators	38%	10%	3%	
PT Administrators	1%	-17%	-16%	
Graduate Assistants	10%	6%	0%	
Classified	19%	4%	3%	
Student Employees	34%	17%	7%	
Total Employees	25%	10%	4%	
Total Enrollment	21%	5%	1%	

- Faculty includes instructional and research faculty, as well as adjunct, visiting, and post-retirement appointments.
- The administrator category is called “Mgmt Svc/Officers of Admin”

Percentage Change in Employees: 2005 to 2012

Source: Office of Institutional Research - UO Employee Head Counts



Appendix:
Definition of Expense Categories per IPEDS

Definition of Instruction Expense Per IPEDS
http://nces.ed.gov/ipeds/glossary/

- **A functional expense category that includes expenses of the colleges, schools, departments, and other instructional divisions of the institution and expenses for departmental research and public service that are not separately budgeted. Includes general academic instruction, occupational and vocational instruction, community education, preparatory and adult basic education, and regular, special, and extension sessions. Also includes expenses for both credit and non-credit activities.**
- **Excludes expenses for academic administration where the primary function is administration (e.g., academic deans).**
- **Information technology expenses related to instructional activities if the institution separately budgets and expenses information technology resources are included (otherwise these expenses are included in academic support).**
- **Institutions include actual or allocated costs for operation and maintenance of plant, interest, and depreciation.**

Definition of Research Expense Per IPEDS

- A functional expense category that includes expenses for activities specifically organized to produce research outcomes and commissioned by an agency either external to the institution or separately budgeted by an organizational unit within the institution.
- The category includes institutes and research centers, and individual and project research. This function does not include non-research sponsored programs (e.g., training programs).

Definition of Public Service Expense Per IPEDS

- A functional expense category that includes expenses for activities established primarily to provide non-instructional services beneficial to individuals and groups external to the institution.
- Examples are conferences, institutes, general advisory service, reference bureaus, and similar services provided to particular sectors of the community.
- This function includes expenses for community services, cooperative extension services, and public broadcasting services.
- Also includes information technology expenses related to the public service activities if the institution separately budgets and expenses information technology resources (otherwise these expenses are included in academic support).

Definition of Academic Support Expense Per IPEDS

- A functional expense category that includes expenses of activities and services that support the institution's primary missions of instruction, research, and public service.
- It includes the retention, preservation, and display of educational materials (for example, libraries, museums, and galleries); organized activities that provide support services to the academic functions of the institution (such as a demonstration school associated with a college of education or veterinary and dental clinics if their primary purpose is to support the instructional program); media such as audiovisual services; academic administration **(including academic deans** but not department chairpersons); and formally organized and separately budgeted academic personnel development and course and curriculum development expenses.
- Also included are information technology expenses related to academic support activities; if an institution does not separately budget and expense information technology resources, the costs associated with the three primary programs will be applied to this function and the remainder to institutional support.
- Institutions include actual or allocated costs for operation and maintenance of plant, interest, and depreciation.

Definition of Student Services Expense Per IPEDS

- A functional expense category that includes expenses for admissions, registrar activities, and activities whose primary purpose is to contribute to students emotional and physical well - being and to their intellectual, cultural, and social development outside the context of the formal instructional program.
- Examples include student activities, cultural events, student newspapers, intramural athletics, student organizations, supplemental instruction outside the normal administration, and student records.
- Intercollegiate athletics and student health services may also be included except when operated as self - supporting auxiliary enterprises.
- Institutions include actual or allocated costs for operation and maintenance of plant, interest, and depreciation.

Definition of Institutional Support Expense Per IPEDS

- A functional expense category that includes expenses for the day-to-day operational support of the institution.
- Includes expenses for general administrative services, central executive-level activities concerned with management and long range planning, legal and fiscal operations, space management, employee personnel and records, logistical services such as purchasing and printing, and public relations and development.
- Also includes information technology expenses related to institutional support activities. If an institution does not separately budget and expense information technology resources, the IT costs associated with student services and operation and maintenance of plant will also be applied to this function.