If sufficient state appropriations are not available, universities must turn for financial support to philanthropy, efficiency, and tuition.

The amount of fungible donated money has been limited in the past and may continue to be insufficient in the future to both adequately support the universities and keep student tuition low. Obviously, universities will seek to increase donations for both operations and financial aid, but, although important, gifts have not historically been really significant sources of income for either purpose.

Universities must strive at all times to reduce costs to a minimum. Oregon’s universities in recent years have spent less money (from all sources) per full time equivalent student than have their counterparts in most other states and, in many cases, than have Oregon’s community colleges. Although there is always an opportunity to reduce costs further, relying on cost cutting as the sole means to provide affordable tuition may not be a successful strategy.

Tuition is the other source of income available to universities to support operations and financial aid in light of state budget reductions. Oregon’s universities have relied increasingly on the premium tuition paid by nonresident students at six of its campuses. The tuition paid by these students far exceeds the cost of their education and has provided resources to universities that have supported campus operations even as state appropriations have declined. Efforts to attract these students can be expected to continue but this strategy increasingly is being adopted by other states. This may limit the expansion potential of this strategy and probably means that it cannot be expected to yield sufficient resources to sustain operations and hold down resident tuition.

This leaves resident undergraduate tuition, by far the largest source of income for most of Oregon’s universities because the largest category of students in OUS is that of undergraduates from Oregon. The tuition charged to these students has increased over the past two decades and stands near the national average. However, because both state need-based aid and per capita income are lower in Oregon than in most other states, even average tuition has caused financial hardship for many resident students and families and often is seen as a barrier to enrollment and graduation.
As the Board considers a new compact with the state, it also might consider a compact with students regarding either the level of tuition charged or the process for setting tuition. An agreement regarding the level of tuition charged may be difficult to reach because of the uncertainties around state financial support for the universities, inflation, enrollment, and other factors. Because these and other matters can so greatly affect tuition in any given year, it might be more fruitful to establish a process for the setting of tuition that includes student voices in formal roles.

Also of great importance with respect to affordability is need-based financial aid. The State’s Oregon Opportunity Grant has been unable to keep up with growing financial need due to three factors: the rapid increase in postsecondary enrollment in Oregon, state budget reductions that affect the appropriation for the Opportunity Grant just as they do other state appropriations (including those for university operations), and the increasing cost of attending colleges and universities. That suggests that any compact with the state must take into account the unlikelihood that the state will be able to increase the opportunity grant sufficiently to meet student need. This is especially true when viewed against both the likely state budget shortfalls for the next several years and in light of the need for enrollment at colleges and universities to nearly double by 2025 if the Board’s education attainment goal and the state’s own 40-40-20 vision are to be met.

Below are some points for consideration regarding both tuition and need-based financial aid for Oregon resident undergraduate students.

1. Tuition setting authority
   a. Campus only
   b. Campus under Board guidelines
   c. Board
2. Tuition setting process
   a. Campus determined
   b. Board determined
      1. Guidelines
      2. Open process on each campus involving students
      3. Review of results by Board
         a. Board approval?
         b. Presentation by president of campus with separate presentation by student government from same campus?
      4. Review by state?
         (a) Separate commission?
         (b) Legislative committee?
      5. Issues of transparency, openness, accountability, ease of administration, cost

3. Need-based financial aid
   a. Oregon Opportunity Grant
   b. Current statutory ban on use of appropriations by OUS for financial aid
c. Affordability targets  
   i. Percentage of undergraduate tuition (both resident and nonresident) to be used for need-based aid for resident undergraduate students (e.g., 15%)  
   ii. Tuition and aid tied to keeping college costs at a percentage of the income either of each student or of the average family income in Oregon  
   iii. Board targets or institutional goals?

Note: Staff suggestions are in bold print.

Governance—tuition and aid-rec—June 16