

Bargaining amidst uncertainties

Three principal factors shape the university's fiscal health: 1) Student enrollment; 2) State funding; and 3) Student tuition rates. Based on these factors, the university builds its budget, pays employees, and provides services. Faculty salaries and benefits are subject to the status of these factors and are commitments the university must often make ahead of having full knowledge of its fiscal future. Regardless, the university must make all of its commitments within *realistic expectations related to the three principal factors*.

The commitments made through 2021-2023 Economic Bargaining can be no exception. Consistent with the above, this bargain will be complicated by the UNCERTAINTY of:

- Enrollments in Fall 2021
- Levels of state funding for the biennium
- Tuition rates for 2021-22

After careful consideration, WOU has concluded that the bargaining process will benefit from encouraging a robust conversation between the bargaining teams about the above factors and their potential impacts on salaries. To that end, WOU is developing a "Modeling Tool" that it can distribute to WOUFT's bargaining team for purposes of forecasting possible fiscal futures as they relate to the larger budget. This document – an analysis of the university's broader situation and the range of outcomes the university faces – may be used in conjunction with that Modeling Tool.

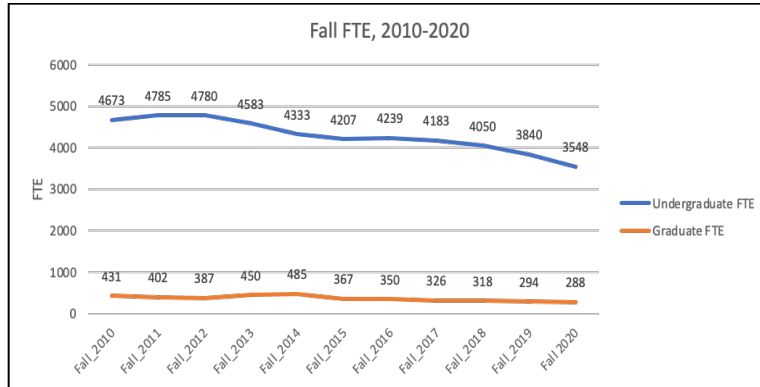
WOU shares this document as a preliminary analysis and explanation of its considered assumptions, to start a conversation about where WOU is, where we may be headed, and how that affects this bargain.

Uncertainty 1: Enrollment

While WOU does not know what enrollments will be in Fall 2021, it is clear that enrollment has trended downward for some time.

- WOU's enrollments, especially undergraduate, have declined steadily since Fall 2012 (see Figure 1 below).

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- From Fall 2020 to Spring 2020, total FTE decreased by about 15%, from 3836 to 3250.
- The current public health crisis has disproportionately impacted the demographic groups from which WOU increasingly draws its enrollments including [Hispanic students](#), students from [economically disadvantaged](#) backgrounds, and [first-generation college students](#).
- The decline in [community college enrollments](#) during the pandemic points to a broader anomaly, that in this economic downturn the unemployed [are not turning to education](#) and retraining at rates comparable to other economic downturns.
- WOU's fall 2021 applications and acceptances are down significantly (see page 12 of the [2/17/21 Board of Trustees meeting docket](#)).

This is not a trend found only at WOU. Indeed, many universities and colleges have seen similar trends. This has culminated in remarkably lower applications (and presumably Fall 2021 enrollments) at less selective universities nation-wide in 2021. Please see the [attached New York Times](#) article from February 20, 2021.

UNIVERSITY BUDGET ASSUMPTION: Given this context, the university hopes to maintain this year's enrollment levels into next year but has developed a preliminary budget framework where enrollments may be as much as 5-10% lower next year.

Uncertainty 2: PUSF Funding

State funding is also uncertain.

- HECC recently approved revised parameters for the [SSCM model](#) for the upcoming five years. The change to the SSCM funding allocation is good news for WOU in that our [share](#) of the total PUSF funding would increase from 6.5% to 6.9%, if nothing else changed.
- But declining enrollments – which ultimately translate into lower SCH and degree production – may reduce our overall share of SCH and degree production, and that would reduce expected funding. We won't fully understand state funding until we see how WOU fares [in comparison](#) with other public universities on degree production and SCH.

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- In addition, the state uses a three-year rolling average of SCH and degree production in its SSCM calculation. This results in mitigation of the effects of enrollment declines but it also creates a lag in funding when enrollments pick back up again.
- Importantly, WOU also does not know the size of the state-wide pie that will be distributed via the SSCM model. For the upcoming legislative session, the PUSF in the Governor’s recommended budget (GRB) is at the same level as 2019-21 (\$837M), which is about \$60M below **current service level**. The seven public universities in Oregon will be lobbying to increase the funding to about \$900M. As illustrated in the table below, if the PUSF funding increases by \$60M, WOU’s allocation would increase by about \$4M, or about \$2M per year. Put simply, WOU’s state allocation for the next biennium depends in large part on our success in increasing the PUSF funding.

Change in PUSF over \$837M	% increase in PUSF	0.065	0.069	WOU New	
		New \$\$ produced by <u>current</u> SSCM formula	New \$\$ produced by <u>new</u> SSCM formula	Received in Year 1	Received in Year 2
\$10M	1%	\$650,000	\$690,000	\$338,100	\$351,900
\$20M	2%	\$1,300,000	\$1,380,000	\$676,200	\$703,800
\$30M	4%	\$1,950,000	\$2,070,000	\$1,014,300	\$1,055,700
\$40M	5%	\$2,600,000	\$2,760,000	\$1,352,400	\$1,407,600
\$50M	6%	\$3,250,000	\$3,450,000	\$1,690,500	\$1,759,500
\$60M	7%	\$3,900,000	\$4,140,000	\$2,028,600	\$2,111,400

- Finally, as the university studies legislative tea leaves, its notable that the joint Ways and Means chairs have issued a set of [principles](#) to guide their work in the coming months. After noting a \$1.7B deficit in meeting current service level, high levels of volatility in economic/revenue forecasts, high uncertainty regarding information, possible barriers to accessing state reserve funds, and concerns about maintaining fiscal stability, the chairs identify strategic priorities that are, at best, loosely related to higher education (e.g., critical programs and services; wildfire recovery; recovery from the events of 2020; education, health care and public safety programs with a focus on Oregon’s children; persistent issues in areas including behavioral health, housing, education, racial inequity and injustice, and rural economic development). As much as we all believe that higher education brings value to addressing these issues, pragmatically WOU does not see much evidence that legislators view increased allocations to higher education as being aligned with these priorities.

UNIVERSITY BUDGET ASSUMPTION: Given this context, the university anticipates and has budgeted for **state funding for the 2021-2023 biennium to be flat**.

Uncertainty 3: Tuition for 2021-22

TFAC (the Tuition and Fees Advisory Committee) has concluded its discussions of tuition rates for 2021-22. Their recommendation of **no tuition increases** was forwarded to the Finance and

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Administration Committee of the Board of Trustees for review and action at its March 30, 2021 meeting. The FAC forwarded its recommendation of no tuition increase to the Board of Trustees for action at its April 21, 2021 meeting. As this process plays out and reaches its conclusion, the university does know that:

- Affordability is essential to WOU students.
- In 2020-21, WOU made significant progress towards its strategic priority of becoming one of the most affordable public universities in Oregon, the culmination of several years of limited tuition increases.
- After a year of remote instruction, students at WOU and nationwide are pushing back on the idea that the cost of their education might increase.
- The Board of Trustees is considering the recommendation to hold tuition flat.
- Tuition increases raise additional revenues but come with political and market risks; that is, the publicity around tuition increases draw negative attention to the university and higher costs can depress enrollments.

UNIVERSITY BUDGET ASSUMPTION: WOU has **budgeted for no tuition increase.**

One-Time Federal Funding (CARES, CRRSA, ARP)

In the last year, the federal government has enacted three COVID-relief packages: CARES (March 2020), CRRSAA (December 2020) and ARP (February 2021). These relief packages provide one-time funds to higher education via the Higher Education Emergency Relief Fund (HEERF). These one-time funds will be an important factor in the short-term fiscal well-being of the university and enable us to build sustainable pathways to stabilize the long-term health of our university.

WOU received \$4,281,683 from HEERF I (CARES funding). Of that \$2,140,842 went directly to students (as required), leaving \$2,140,841 for institutional use. \$1.8M was used to reimburse faculty payroll. The remaining \$340K was used for COVID-related expenses (PPE, cleaning supplies, etc.) and Academic Affairs' priority one expenditures.

WOU received \$7,059,840 from HEERF II (CRRSAA). Of that, a minimum of \$2,140,841 must be directed to our students, which leaves \$4,918,999 for institutional use. The plan for these funds includes:

Student aid--debt (additional to minimum required)	\$	500,000
Degree completion project - limited duration FTE	\$	75,000
Academic Innovation - Voice Thread	\$	50,000
Academic Innovation - Canvas support	\$	25,000
Travel athletics	\$	174,000
Hotspots--low income students	\$	25,000
Cadavers	\$	164,050

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Payroll offset	\$	1,955,000
Classrooms - add 15 smart classrooms	\$	78,750
HEPA filters - 50 classrooms	\$	40,000
Student services - Case manager	\$	62,000
Student services - kick off stress management workshop	\$	12,500
Health deficit	\$	200,000
Housing/dining	\$	1,500,000
Testing	\$	30,000
Total	\$	4,916,300

The amount WOU is set to receive for American Rescue Plan is estimated to be \$12.4M, of that, \$6.2M must be directed to our students, leaving an estimated \$6.2M for institutional use.

Regarding potential one-time relief funding and its relationship to this bargain, the university is committed to responsible use of such funding for non-recurring expenses that stabilize and invigorate the university. As everyone is aware, the critical components in re-establishing WOU's health will not be one-time money received from the federal government, but the return of students to campus for a full and rewarding university experience, increased enrollments, and more robust university funding by the Oregon legislature.

Additional moving targets

In addition to these major unknowns, WOU has identified additional “moving targets” that will more modestly affect the university’s operating budget surplus/deficit in 2021-22.

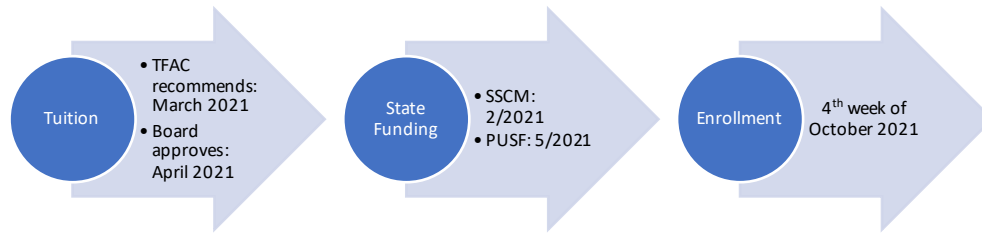
- Finalization of Article 15 cuts.
- Additional potential retirements and resignations.
- Tuition remission (discount) rate and allocation.

As the university learns more about these aspects of 2021-22 budgeting, the tool’s underlying assumptions can be updated.

Unknowns become knowns

Figure 3 (below) summarizes when WOU expects to have more precise information about these principal inputs into WOU’s 2021-22 fiscal position:

Figure 3



Modeling possibilities

In the meantime, however, the range of possible inputs and how they may interact to form 2021-22 budgetary outcomes can be forecasted.

Based on the above analysis, the university has identified plausible upper and lower bounds for the key inputs into our 2021-22 fiscal position:

- Tuition: Flat
- FTE Enrollment: between -10% and +7.76% (2019 enrollment levels)
- State Funding Increases: between flat and 7% (regaining Current Service Level)

We developed a tool that roughly predicts **budget surplus/deficit** for a range of scenarios where enrollments, state funding, tuition and adjustments to pay vary. While we model enrollments out to Fall 2019 levels for illustrative purposes, realistically we expect that enrollments will be down between 5-10%.

The model results presented below are based on the December 31, 2020 financial reports. We are updating the model assumptions to reflect more current information from the March 31, 2021 financial reports. Readers should not be misled by the apparent specificity of the estimates – the model produces rough estimates that provide a sense of the landscape of possible outcomes.