



Misplaced Priorities

Oregon Public Universities' Deprioritization of Good Jobs and Affordable Education



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Executive Summary

Universities are prioritizing administrative bloat, athletics, and capital construction projects over good jobs and affordable in-state tuition. In an era of increased funding and greater independence, universities could “embrace” their “responsibility to Oregon,” but they’re choosing not to do so.

Oregon’s public universities pride themselves on being a valuable part of communities across our State. As Oregon State University puts it, “We embrace our responsibility to Oregon and the world, building a future that’s smarter, healthier, more prosperous and more just.”

Rightly, Oregonians look to these institutions for affordable education and good jobs. We view our public universities as critical building blocks in communities around the State. In that spirit, the State Legislature increased public funding to universities by \$100 million in 2019, bringing public support for the system to a record high. In addition to increased funding, universities have greater independence and less State oversight since ending their state agency status and breaking from the State Board of Higher Education in 2011.

In this paper, we examine three key metrics to measure how public universities are providing value to Oregonians: tuition, university jobs, and enrollment by in-state students. In each category, we find the university system going backwards—cutting employee wages, raising tuition, and catering to out-of-state students.

A close examination of the university budgets reveals that this backslide is a choice, not a reality that administrators were forced into. Universities are prioritizing administrative bloat, athletics, and capital construction projects over good jobs and affordable in-state tuition. In an era of increased funding and greater independence, universities could “embrace” their “responsibility to Oregon,” but they’re choosing not to do so.

Key Findings

Oregon’s public universities rely too much on low wage jobs, and are failing to deliver an affordable education to students.

- Undergraduate tuition will go up between 2.39% and 8.99% for 2019-2020. Every university but Western Oregon University will increase tuition faster than inflation. To pay high tuitions, most university students take on debt. In the 2016-17 school year, 56% of students in Oregon graduated with debt; the average debt of graduates was \$27,885.
- In their latest proposal to more than 4,500 classified staff, management refused to acknowledge that salaries have fallen behind the market, and offered meaningless wage increases and delays to regular salary scale steps.

- About half of the classified staff were paid less than \$40,000 per year; hundreds made less than \$25,000 per year. Among non-faculty represented staff, full time workers averaged \$45,367 per year and part time workers averaged \$24,708.
- Many workers at colleges, universities, and professional schools earn so little they qualify for taxpayer subsidized food and medical assistance. Between the seven universities, 648 full time represented workers (about 1 in 6) make less than the food assistance eligibility threshold for a family of four.
- Universities want to attract students from out of state because they pay higher tuition. In 2005, nonresident students made up 21% of the student body at Oregon's public universities; by 2018, 36% of the students came from outside of the state. There are more than twice as many nonresident students today as in 2005.

Oregon's public universities are not in dire financial situations.

- Their net position—analogue to the net worth of a private company—is \$2.2 billion, up 3% from 2016. Between 2016 and 2018, combined operating revenues for the seven public universities increased by 8.4%, while operating expenses increased by only 4.3%. In 2019, the Oregon Legislature allocated \$100 million more to the Public University Support Fund than in 2017-19, bringing state funding to a record level.

Universities are not facing a bad economy, poor funding or—as some politicians have said—problems paying PERS debt. Rather, they have misplaced their priorities, choosing to focus on administrative bloat, athletics and capital construction projects over good jobs and affordable education. Oregon certainly isn't the only state in which this is happening, but we do have an opportunity to do things differently.

Oregon spends more operating universities, on a cost-per-student basis, than many neighboring states. In 2016, Oregon's operational spending per student FTE was 12% higher than the average of the group surveyed by the Western Interstate Commission for Higher Education. Where is that money going?

- **Administrative bloat:** Oregon's public universities employ too many supervisors and they pay them out-sized salaries. Universities report 5.43 workers per supervisor. By way of comparison, Oregon's state agencies averaged 10.3 non-supervisory workers per supervisor in August 2019. Lower ratios are a sign of administrative bloat and indicate opportunities to save costs by cutting overhead.

Universities are not facing a bad economy, poor funding or—as some politicians have said—problems paying PERS debt. Rather, they have misplaced their priorities, choosing to focus on administrative bloat, athletics and capital construction projects over good jobs and affordable education. Oregon certainly isn't the only state in which this is happening, but we do have an opportunity to do things differently.

The average coach's salary is nearly four times as much as the average classified worker's salary. In 2018, university presidents averaged \$513,484 in salary, more than 11 times what the average classified worker was paid.

- **Out-sized salaries:** Presidents of Oregon's largest public universities are paid more than \$600,000 a year, more than six times as much as Oregon's governor. Four university coaches have a base salary of \$1 million or more. There are 70 people who make \$400,000 or more, and 411 who make more than \$200,000. The average coach's salary is nearly four times as much as the average classified worker's salary. In 2018, university presidents averaged \$513,484 in salary, more than 11 times what the average classified worker was paid.
- **Debt-funded projects:** While students get squeezed for tuition and staff earn low wages, universities prioritize debt-funded campus construction projects for new buildings and sports facilities to attract out of state and international students. Since 2009, the State committed to paying off \$824 million in University Capital Construction bonds. Universities themselves committed to paying off \$690 million in bonds. As the debt load grows, so does debt service. A growing share of university revenues goes to pay off debts, which creates greater pressure to raise tuition. In 1999-2001, less than 3% of state support for public universities went to debt service. In 2017-19, 16% did.
- Pension costs have increased, but employer contributions in 2018 were still only 3.5% of operating expenses.

Overview

This research memo describes Oregon's seven public, 4-year universities: Eastern Oregon University (EOU), Portland State University (PSU), Oregon Institute of Technology (OIT), Oregon State University (OSU), Southern Oregon University (SOU), University of Oregon (UO), and Western Oregon University (WOU). Oregon Health Sciences University (OHSU) is not included in this report. The analysis draws on information from audited financial reports, university staffing reports, and other public data sources.

Universities used to be part of the Oregon University System, a state agency overseen by the State Board of Higher Education. In 2013 the Legislature passed Senate Bill 270, which scrapped the Board and allowed universities to set up their own institutional governing boards instead. This arrangement came with less statewide scrutiny of governance decisions, and more authority for universities to borrow money for capital projects.

Failing to provide affordable education to Oregon students

Tuition and fees

Universities recently approved tuition increases for the 2019-2020 school year. Resident undergraduate tuition will go up between 2.39% and 8.99%. WOU's 2.39% increase is comparable to the rate of inflation; every other university's tuition will continue to outpace inflation.

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Resident Tuition and Fee Increase, 2018-19 to 2019-20	
School	% increase
Eastern Oregon University	4.86%
Oregon Institute of Technology-Wilsonville	5.81%
Oregon Institute of Technology-Klamath Falls	5.26%
Oregon State University-Corvallis	4.44%
Oregon State University-Cascades Campus	4.73%
Portland State University	5.19%
Southern Oregon University	8.99%
University of Oregon	6.90%
Western Oregon University	2.39%

Source: Higher Education Coordinating Commission

To pay high tuitions, most university students take on debt. In the 2016-17 school year, 56% of students in Oregon graduated with debt; the average debt of graduates was \$27,885.¹

School	Avg debt of 2016-17 graduates	% graduates with debt
EOU	\$31,314	67%
OIT	-	-
OSU	26,749	58%
PSU	26,867	60%
SOU	23,603	72%
UO	26,164	44%
WOU	29,565	79%

¹ Debt data from <http://college-insight.org>

Union-represented, classified staff are central to the universities' mission of teaching, research, and community service.

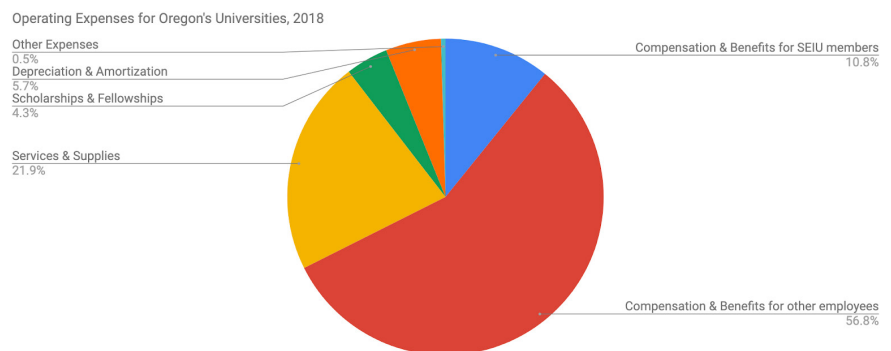
As noted later in this report, Oregon relies on tuition for funding more than most state university systems. As a result, they see students for the dollars they bring in, which runs counter to the mission of providing Oregon students with an affordable education. Prior to the recent increase in funding, few steps have been taken by the universities or policy makers in our State to correct this issue. Unfortunately, due to a system that gives university administration a lot of autonomy in deciding how to use its budget, the recent investment is not resulting in tuition relief for students.

Failing to provide good jobs to the community

Over 21,000 people work at Oregon's public universities.

Union-represented, classified staff are central to the universities' mission of teaching, research, and community service. They provide a wide-range of services directly to students, including counseling, health care, library services, and more. They provide clerical and technical support to students, faculty, and administrators. They maintain the campuses and make sure bills are paid on time. They work to ensure the safety of everyone on campus.

Unclassified employees include administrators, coaches, and faculty. University faculty are professors, researchers and other instructors. For ease of comparison, the following analysis of university staffing data splits out administrators, faculty, coaches, and other staff². The following people with no salary or missing salary data are excluded from the analysis— this mostly covers emeritus appointments and courtesy appointments, but there are also graduate fellows who don't get a salary.



Data source: 2018 University financial reports, SEIU member data from April 2019

² The Oregon University System used to publish data on individual employees' salaries, which were useful for analyzing trends. Since OUS was dissolved, these data are harder to come by. UO, PSU, OIT and SOU still prepare salary data tables for public use. OSU publishes salary data in large PDF files that require a lot of data cleaning before they can be used.

Classified workers

Represented workers do many essential jobs to run Oregon's public universities. Many work as office specialists, administrative assistants, and paraprofessionals, keeping offices running. Custodians, electricians, carpenters, painters, plumbers, pipe and steamfitters, and locksmiths take care of university buildings. IT techs provide computer and network support, accountants keep the books, and campus security strive to keep students safe.

In contrast to high pay for executives and coaches, classified employees earn modest salaries. Many university workers even qualify for public assistance for food and health care. The following analysis is based on March 2019 data on 4,581 regular workers, represented by SEIU, at the seven public universities.

Total compensation and benefits for SEIU-represented staff at Oregon's public universities was around \$343 million in 2018, approximately 11.5% of universities' operating budgets.

Of these 4,581 jobs, 3,986 (87%) were full time (1 FTE) and 282 (6%) were 0.5 FTE or less. About half of the workers (2,223 people) earned less than \$40,000 per year, and one in ten earned less than \$25,000 per year. Naturally, part-time workers take home less pay; 86% of the workers with less than 0.5 FTE made less than \$25,000. But even among full-time represented workers, 42% earned less than \$40,000 per year. Average annual earned wages were \$45,367 for full-time workers, and \$24,708 for part-time workers.

Workers represented by SEIU make up about one quarter of all university employees, but only account for 16% of compensation and benefits.

Represented workers			Full time workers		Workers <0.5 FTE	
Campus	# SEIU wkrs	Avg FTE	# wkrs	Avg Annual Wages	# wkrs	Avg Annual Wages
EOU	122	0.98	114	\$41,450	1	\$17,701
OIT	133	0.99	129	\$47,440	1	\$16,953
OSU	1,635	0.92	1,357	\$47,307	147	\$14,875
PSU	660	0.96	598	\$48,511	33	\$19,149
SOU	192	0.96	169	\$42,644	8	\$17,573
U of O	1,622	0.95	1,409	\$42,680	87	\$19,394
WOU	217	0.99	210	\$44,948	5	\$15,184
Total	4,581	0.95	3,986	\$45,367	282	\$16,869

Data source: SEIU bargaining unit data from March 2019

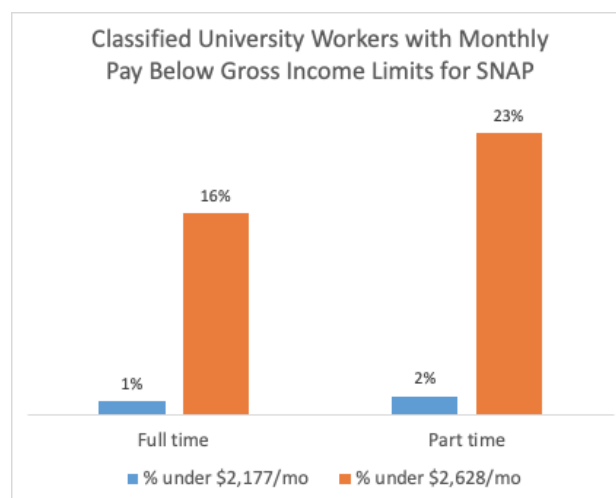
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Public assistance

While administrators earn hefty salaries, many university employees are paid little enough to qualify for food and medical assistance programs.

Monthly pay for many classified staff falls below the gross monthly income limits for the Supplemental Nutrition Assistance Program (SNAP) for households of 3 or 4.³ Between the seven universities, 648 full time represented workers (about 1 in 6) make less than the food assistance eligibility threshold for a family of four.

These numbers are just for regular (non-temporary) workers. Temporary positions are those where the job only lasts for a limited duration, though temporary workers can work full time hours. If temporary workers were included in this analysis, numbers of university employees earning less than SNAP income limits would be even greater.



Source: SEIU data on represented university workers, March 2019

Data on working people enrolled in SNAP and the Oregon Health Plan are available through the Employment Department, Oregon Health Authority, and Department of Human Services⁴

The table below shows the average of quarterly data from 2017 of clients enrolled in the Oregon Health Plan or Self Sufficiency SNAP who work at colleges, universities, and professional schools.⁵ An average 1,597 workers were

³ This analysis of payroll data assumes the worker's household has no other sources of income and total assets which also meet SNAP program requirements. The analysis is based on actual pay for March, 2019, not base pay rates.

⁴ Quarterly data are available by county, industry (5 digit NAICS), and combinations of county and industry. Low cell counts (< 5) are suppressed to protect the privacy of SNAP and OHP clients. Because a county's data can be suppressed one year but not the next, the data may not be complete enough to describe trends in every county.

⁵ Public universities are classified as NAICS 61131, "Colleges, Universities, and Professional Schools." Community Colleges are in a different category, NAICS 61121. A helpful tool from the Employment Department looks up business names by NAICS and county. In some counties the public university is the only entity with the 61131 NAICS code, but in other places more businesses are classified the same way.

enrolled in the health plan, and 895 on SNAP. Not all of these people work at public universities. In Klamath County, Oregon Institute of Technology is the only entity in that category, so the 11 employees on OHP and 8 on SNAP can be attributed to them. Other entities in Jackson County are classified in the same industrial sector at SOU⁶, so SOU has some share of the 42 workers on OHP and 22 on SNAP.

Colleges, Universities, and Professional Schools (NAICS 61131)		
Average number of workers enrolled in public assistance, 2017		
County	Oregon Health Plan	SNAP
Baker	6	5
Benton	92	45
Clackamas	99	33
Columbia	8	
Coos	8	
Deschutes	15	
Douglas	6	
Jackson	42	22
Josephine	6	
Klamath	11	8
Lane	201	113
Lincoln	8	5
Linn	36	18
Marion	56	26
Multnomah	682	314
Polk	27	15
Union	14	14
Washington	258	263
Yamhill	25	14
Total	1,597	895

Quarterly caseload data, averaged over 2017, from Oregon Department of Human Services/Oregon Health Authority

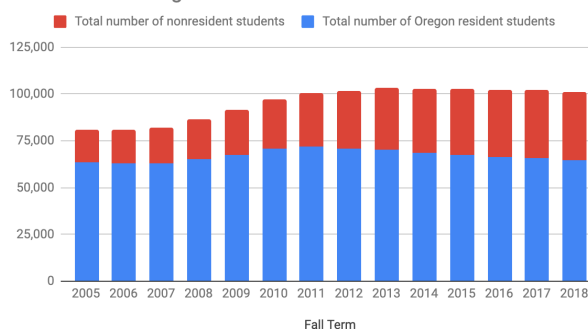
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With funding cuts and increasing enrollment, universities raised tuition and fees for more revenue. Between the 2005-06 and 2018-19 academic years, resident tuition and fees nearly doubled, rising more than three times faster than inflation.

Prioritizing Out-Of-State Students Over Oregonians

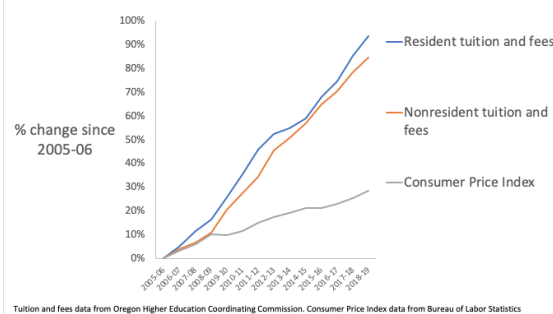
During the last recession, enrollment grew fast, as many people pursued degrees to improve their job prospects. Enrollment jumped when the recession hit, but the number of resident students has steadily declined since 2011. Nonresident students more than made up for the losses, but their numbers plateaued in recent years and even trended down in 2018.

Enrollment at Oregon's Public Universities



Oregon relies on tuition more than the average state in the country and the region, because state support is lower. According to SHEEO, the State Higher Education Executive Officers Association, net tuition makes up 57% of Oregon's higher ed revenues, compared to the U.S average of 47%, and Western region average of 34%. Excluding spending for research, agricultural, and medical education, in 2018 public support for public higher education was lower in Oregon than every Western state but Colorado and Arizona.^{7,8}

Tuitions at Oregon's Public Universities Climbed 3x Faster than Inflation since 2005-06



With funding cuts and increasing enrollment, universities raised tuition and fees for more revenue. Between the 2005-06 and 2018-19 academic years, resident tuition and fees nearly doubled, rising more than three times faster than inflation. Tuition and fees for nonresidents increased almost as fast, go-

⁷ https://public.tableau.com/profile/sheeo#!/vizhome/SHEF_FY18_Interactive_Data/About

⁸ Includes Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

ing from \$15,107 in 2005-06 to \$27,860 in 2018-19.⁹ Average tuition and fees at public universities are higher in Oregon than Washington.¹⁰

As tuitions climb, colleges and universities compete harder for students who can pay the tab. Luring out of state students, who pay higher rates, is especially important to the bottom line. In 2005, nonresident students made up 21% of the student body at Oregon's public universities; by 2018, 36% of the students came from outside of the state. There are more than twice as many nonresident students today as in 2005.¹¹

Ruby Thompson, University of Oregon

Ruby has worked for UO for six years, where she earns a base pay of \$14.57 per hour as a custodian. It's not a job she loves, but she feels stuck.

"I'm at a point in my life where I need this job," Ruby said. "My husband has cancer and I can't live without healthcare. If I didn't have the healthcare plan, a single medical bill could wipe me out."

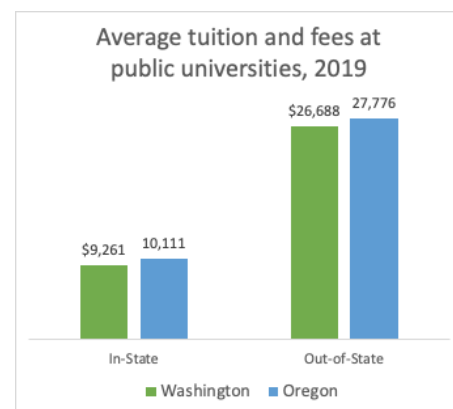
This year, Ruby took a position on the night shift as a coordinator. She got a 47-cent raise—money she needed to make ends meet. Their family lost three months of income when her husband was in treatment and couldn't work. He is now on short-term disability, which only covers a portion of his income. Soon, he is going to go on social security disability, which covers even less.

Ruby also took the night-shift job to keep her days free. She accompanies her husband to endless appointments, tests and treatments. She fears retaliation from management if her paid time off gets used up.

"I'm saving my vacation and sick days because with my husband's health, you never know when I might need them," she said. "I've seen management discipline people for running out of paid time off, and I can't be in a situation where I might lose my job. It's incredibly stressful. I'm seeing a counselor to help, but it's hard."

The contract negotiations are one area where Ruby knows she has agency. She is fighting hard for a wage increase and to prevent takeaways. But the current offer on the table is something she can't live with.

Average tuition and fees at public universities are higher in Oregon than Washington.



Data source: <https://www.collegetuitioncompare.com/>

⁹ <https://www.oregon.gov/highered/research/Documents/Tuition-Fee/Tuition-Univ-average-historical.pdf>

¹⁰ 2018-19 tuitions from <https://www.collegetuitioncompare.com/>. Average in-state tuition in Washington was \$9,261, and in Oregon was \$10,111. For out of state students, average tuition in Washington was \$26,688 and Oregon was \$27,776.

¹¹ Enrollment data from Oregon Higher Education Coordinating Commission

Public universities have the money to make a better offer. Their revenues are up and state funding is at an all-time high, but they're choosing to prioritize administrative salaries (management gave themselves a 3% raise this year), athletics and capital construction projects over students and workers like Ruby.

Under management's current offer, Ruby would see no raise this year. When it's all said and done, management's offer to Ruby over the next two years: 84 cents per hour or \$34 per week before taxes and her out-of-pocket healthcare costs.

"It's a slap in the face," Ruby said. "I'm better off than some, but I've had to borrow money—money I probably can't pay back. It's debilitating. If things don't change I will have to quit and find a job somewhere where they respect people."

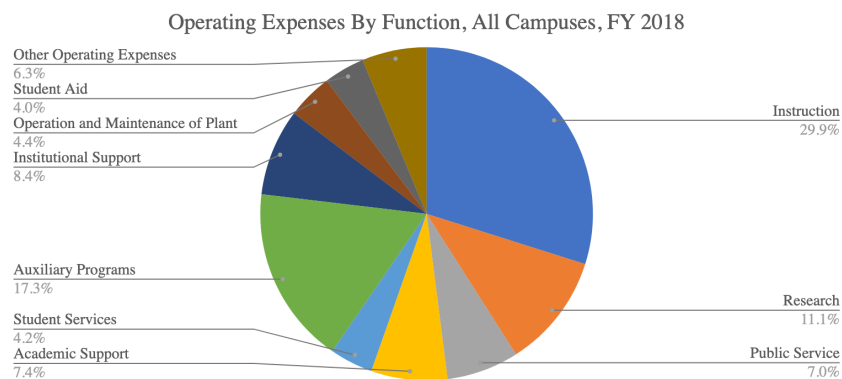
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That's why classified staff are moving strike pledges in all seven campuses around the state. For Ruby, it's a no brainer.

"We have to strike," she said. "Missing a few days pay is a real hardship for me but it's worth it. We have to stand up to them or else they will just keep taking away until we can't afford to live any more. We have to do something, or we will never win."

Universities are choosing to prioritize administrative bloat, athletics and capital construction projects over good jobs and affordable education

Between the seven universities, compensation and benefits accounted for about two-thirds of all operating expenses. By function, about 30% of operating expenses are for instruction. Auxiliary programs are the next largest category of expenses— these include housing and dining services, athletics, and health services. Expenses for auxiliary programs are offset by revenues these programs collect.



Data source: University financial reports, 2018

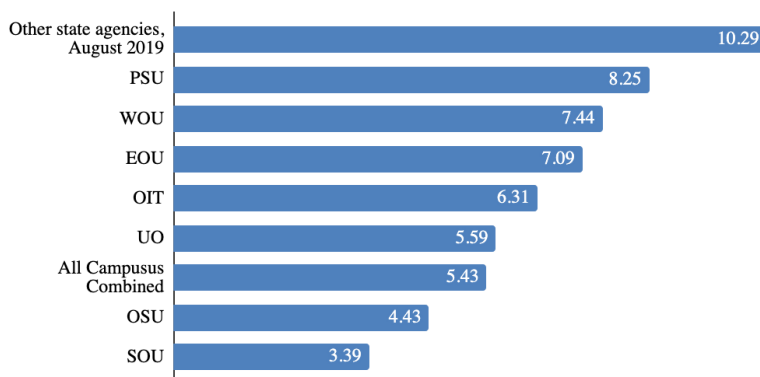
Administrative bloat

HB 2152, signed into law in 2013, requires public universities to report staffing data to the Legislature on a regular basis. Data from the most recent report, issued in December 2018 shows that the average span of control in Oregon public universities is 5.4 non-supervisory workers per supervisor.¹² At some universities, the ratio is much lower, meaning managers supervise even fewer staff members. By way of comparison, Oregon’s state agencies averaged 10.3 non-supervisory workers per supervisor in August 2019.¹³ For the universities’ span of control to equal the state agency average, universities would need about half as many supervisors. HB 2020 (2011) established a worker-to-supervisor ratio of 11:1, although legislation in later sessions provided for exceptions to this standard in specific circumstances. Low worker-to-supervisor ratios are a sign of administrative bloat and an opportunity to realize savings by trimming administrative overhead.

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Span of Control at Oregon Public Universities, December 2018

Span of Control



Non-supervisory employees per supervisor

The supervisor staff are also overpaid. University presidents at Oregon’s largest public universities are paid more than \$600,000 a year, more than six times as much as Oregon’s governor. Exorbitant executive salaries drain resources that would be better spent on instruction, keeping tuition down, and paying employees a living wage so they don’t need to rely on public assistance.

¹² [https://www.oregon.gov/highered/about/Documents/Commission/COMMISSION/2018/Nov%202018/8.5a%20ACTION%20ITEM%20Community%20College%20and%20Public%20University%20Employee%20Report%20\(SB%201520,%202018\).pdf](https://www.oregon.gov/highered/about/Documents/Commission/COMMISSION/2018/Nov%202018/8.5a%20ACTION%20ITEM%20Community%20College%20and%20Public%20University%20Employee%20Report%20(SB%201520,%202018).pdf)

¹³ Span of Control Ratios - 8-01-2019 https://www.oregon.gov/das/HR/Documents/2019-21%20SOC%201st%20qtr%20final%20report%208.9.19_.pdf

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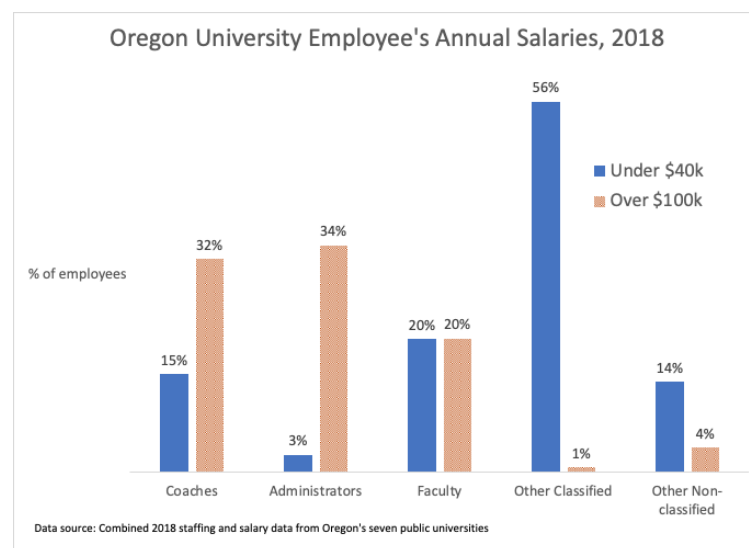
Four non-faculty employees of Oregon's public universities — all coaches— have a base salary of \$1 million or more. There are 70 people who are paid \$400,000 or more per year, and 411 who make more than \$200,000. About one-third of the coaches and administrators working for Oregon's universities get paid more than \$100,000 a year— more than Oregon's governor is paid (\$98,600 a year). University of Oregon had the highest salaries, with 64% of coaches and 42% of administrators paid over \$100,000 a year. More than half of the classified workers at universities are paid less than \$40,000 per year.

School	President	Annual pay (2018)	Avg classified wkr pay	Ratio Pres-to-classified wkr pay
EOU	Thomas Insko	\$250,351	\$42,546	5.9
OIT	Nagi Naganathan	\$355,476	\$42,077	8.4
OSU	Ed Ray	\$665,415	\$43,247	15.4
PSU	Rahmat Shoureshi	\$613,788	\$44,302	13.9
SOU	Linda Schott	\$240,000	\$40,658	5.9
UO	Michael H Schill	\$734,400	\$32,276	22.8
WOU	Rex Fuller	\$248,004	\$41,902	5.9

2018 salary data provided by each university

The average coach's salary is nearly four times as much as the average classified worker's salary.

In 2018, university presidents averaged \$513,484 in salary, more than 11 times what the average classified worker was paid.



Between 2014 to 2017, PSU paid president Wiewel a base salary of \$33,475 per month (\$401,700 per year), plus benefits. After Wiewel retired, PSU hired a new president, Rahmat Shoureshi, in 2017, and paid him \$50,000 per month (\$600,000 per year, plus benefits), a nearly 50% bump in pay.

Shoureshi also demanded and received an increase in his monthly housing stipend from \$6,000 to \$9,200 a month, and got a \$1,000 per month car allowance. By January 2019 his base salary was raised to \$51,149 per month (\$613,788 per year), even as members of PSU's Board expressed serious concerns about his leadership. Shoureshi resigned in March 2019, amid allegations of bullying and degrading employees, questionable financial commitments, and other ethical problems.¹⁴ PSU's Board approved a severance package worth about \$855,000; though Shoureshi has no official duties, his resignation won't be effective until December 2019.

PSU's troubles with Shoureshi were costly in more ways than one. Between his salary, benefits, and severance package, PSU will have paid Shoureshi over \$2 million for less than two years of work. PSU has since hired a CPA firm to assess the financial impact of some of Shoureshi's actions, and another consultant to review Shoureshi's treatment of university employees.¹⁵ Reportedly his abusive behavior led to an exodus of senior managers, many of whom were women.

¹⁴ <https://www.oregonlive.com/education/2019/03/ethical-issues-staff-mistreatment-leads-to-uncertain-future-for-psu-president.html>

¹⁵ <https://www.oregonlive.com/education/2019/06/ethics-commission-launches-preliminary-review-of-former-psu-president-shoureshi.html>

In 2018, The University of Oregon Board of Trustees approved a new contract for President Michael Schill, increasing his base salary from \$660,000 to \$720,000 annually. After June 2020, his base salary is set to increase to \$738,000 annually.¹⁶ Thirteen people at UO were paid \$400,000 or more in 2018; three of them were paid over \$1 million: Head Men's Basketball Coach Dana Altman (\$2,506,000); Head Football Coach Mario Cristobal (\$2,500,000); and Assistant Football Coach Jim Leavitt (\$1,703,600).

In 2018, UO gave out \$195,300 in car stipends. Nearly all of those went to people in the Athletics Department, but President Schill got a \$14,400 car allowance, Provost Jayanth Banavar got a \$12,000 car allowance, and VP for University Advancement Michael Andreasen got a \$9,300 car allowance.

¹⁶ https://www.dailymerald.com/news/administration/schill-to-receive-k-raise-remain-at-uo-through/article_de039499-4a87-5c60-b0cb-ee7ebce67e2b.html

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Oregon State University's president Edward Ray was paid \$611,928 in 2018, includes a base salary of \$345,324 paid by the university and a contribution of \$266,604 from the OSU Foundation. The OSU Foundation paid an additional \$174,468 a year toward Ray's retirement fund. OSU's trustees just voted to give Ray a 6% raise, bringing his total annual compensation to \$809,988, assuming the foundation accepts the board's recommendation to increase its supplemental contributions by 6 percent as well.¹⁷ Vice President Becky Johnson, the executive in charge of OSU-Cascades, had an annual salary of \$328,392. In 2018, 41 people at OSU made over \$400,000 a year. Retiring baseball coach Pat Casey was paid over \$1 million.

Southern Oregon University hired a new president in 2016. The former president's annual salary was \$211,393. The new president's salary is \$240,000, a 14% increase.

University Budgets

Each of Oregon's public universities publishes an annual financial report, containing audited information useful for evaluating financial health and monitoring trends.¹⁸ Net Position is the highest level metric, accounting for assets, liabilities, and deferred inflows and outflows of resources. Net position is analogous to net worth of a corporation or individual. In 2018, universities reported a Net Position of more than \$2.2 billion.

Total Net Position, \$ in millions			
School	2016	2017	2018
EOU	\$57	\$56	\$55
OIT	\$73	\$76	\$80
OSU	\$741	\$754	\$728
PSU	\$306	\$353	\$348
SOU	\$76	\$85	\$98
UO	\$840	\$872	\$850
WOU	\$82	\$79	\$83
Grand Total	\$2,175	\$2,275	\$2,241

Between 2016 and 2018, combined operating revenues for the seven public universities increased by 8.4%, while operating expenses increased by only 4.3%. Non-operating revenues increased by 3.3%. Total Net Position was up 3%. Most universities increased cash on hand between 2016 and 2018. Overall, cash on hand balances are reasonable. Universities could spend more on wages and have as much cash on hand as they did in 2016.

¹⁷ https://www.gazettetimes.com/news/local/osu-trustees-give-president-a-raise/article_697050c2-f195-57ca-8b5b-e0f246afb74.html

¹⁸ Unless otherwise noted, financial information presented in this memo comes from audited financial statements from each university.

Salaries of SEIU-represented staff currently total around \$196 million a year. Health insurance costs another \$76 million, and other roll-up costs, including employer pension contributions, total \$72 million. All together, SEIU members accounted for about 11.5% of universities' operating expenses in 2018.

SEIU-represented workers share of operating expenses (\$ millions)

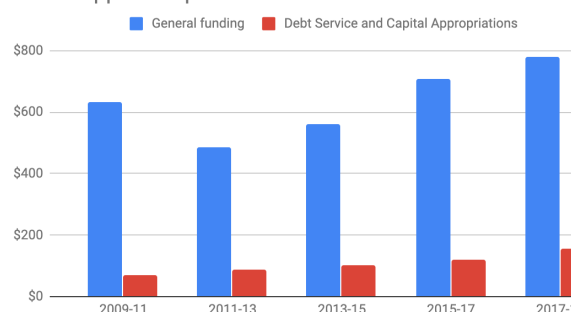
School	Operating Exp, 2018	SEIU mbr salaries	Health care, retirement, taxes, roll-up	Total cost for SEIU members	SEIU member cost as % of operating exp
EOU	\$57.60	\$5.10	\$3.80	\$8.90	15.40%
OIT	\$80.50	\$6.20	\$4.70	\$10.90	13.50%
OSU	\$1,170.00	\$70.60	\$53.30	\$123.90	10.60%
PSU	\$526.00	\$30.60	\$23.20	\$53.80	10.20%
SOU	\$90.60	\$7.90	\$6.00	\$13.80	15.20%
UO	\$955.40	\$65.60	\$49.60	\$115.20	12.10%
WOU	\$108.10	\$9.60	\$7.20	\$16.80	15.50%
Total	\$2,988.10	\$195.60	\$147.80	\$343.30	11.50%

Source: Universities' financial reports, SEIU represented workers pay data March 2019

State support

State support for public universities has waxed and waned over the years. State funding declined from 1999 to 2007, went up briefly in 2007-09, then plummeted again during the recession. In the past three biennia the State added back funding, but state support per student in 2017-19 remained lower than levels in 1999-2001, after adjusting for inflation.¹⁹ In 2019, the Oregon Legislature allocated \$100 million more to the Public University Support Fund than in 2017-19.²⁰

State support for public universities



Higher Education Coordinating Commission, Public Higher Education Funding Data, <https://www.oregon.gov/highered/research/Pages/funding-data.aspx>.

¹⁹ Higher Education Coordinating Commission <https://www.oregon.gov/highered/research/Documents/Funding/Public-inst-funding-historical-not-inflation-adjusted.docx.pdf>; <https://www.oregon.gov/highered/institutions-programs/postsecondary-finance-capital/Documents/Univ-Finance/2018-19%20BRS%20final%20v2.pdf>

²⁰ <https://olis.leg.state.or.us/liz/2019R1/Downloads/MeasureDocument/HB5024/Enrolled>; <https://olis.leg.state.or.us/liz/2017R1/Downloads/MeasureDocument/SB5524/Enrolled>

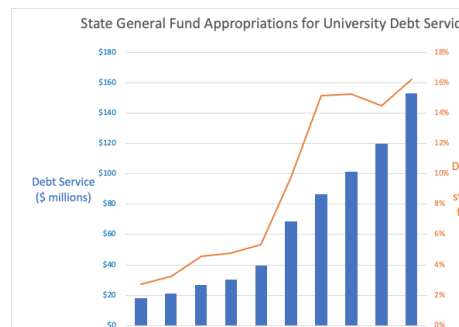
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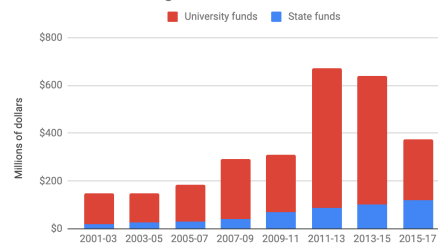
Debt

Universities wanted more authority to take on debt, and less oversight of where the money was going. At the urging of the chair of the State Board of Higher Education²¹, in 2013 the Legislature passed SB 270, which scrapped the Board and allowed universities to set up their own institutional governing boards instead. This arrangement came with less statewide scrutiny of governance decisions, and more authority for universities to take on debt for capital projects. University of Oregon (UO), Oregon State University (OSU), and Portland State University (PSU) put institutional boards in place in 2014, and Eastern Oregon University (EOU), Oregon Institute of Technology (OIT), Southern Oregon University (SOU), and Western Oregon University (WOU) followed in 2015.

Since 2009, the state committed to paying off \$824 million in University Capital Construction bonds.²² Universities themselves committed to paying off \$690 million in bonds.²³ As the debt load grows, so does debt service. A growing share of university revenues goes to pay off these debts, which creates greater pressure to raise tuition. In 1999-2001, less than 3% of state support for public universities went to debt service. In 2017-19, 16% did.



Debt service for Oregon's Public Universities



Data source: financial reports from universities and the Oregon University System.

Large payments in 2011-13 and 2013-2015 are when universities refinanced debt, paying off old bonds with the proceeds from new bond debts.

²¹ <https://olis.leg.state.or.us/liz/2019R1/Downloads/CommitteeMeetingDocument/196598>

²² Oregon's public universities use three general types of debt. **General obligation (GO) bonded debt** is secured by the full faith and credit of the State of Oregon. Each GO bond program was created by a constitutional amendment, but legislators vote on how much in bond debt will be issued each biennium. Oregon taxpayers are committed to paying back these debts. **Direct revenue bonded debt**, like lottery bonds and revenue bonds, are not secured by the State's pledge to pay them off. Instead, funds to pay debt service come from specific and dedicated revenue streams. **Appropriation credits** are special limited obligations of the State. These obligations are not secured by the State's pledge to pay them off; when the bonds come due, the legislature will need to allocate other revenues for debt service.

²³ HECC presentation

Capital projects add space on university campuses, but if enrollment continues to shrink, universities may find they overbuilt.

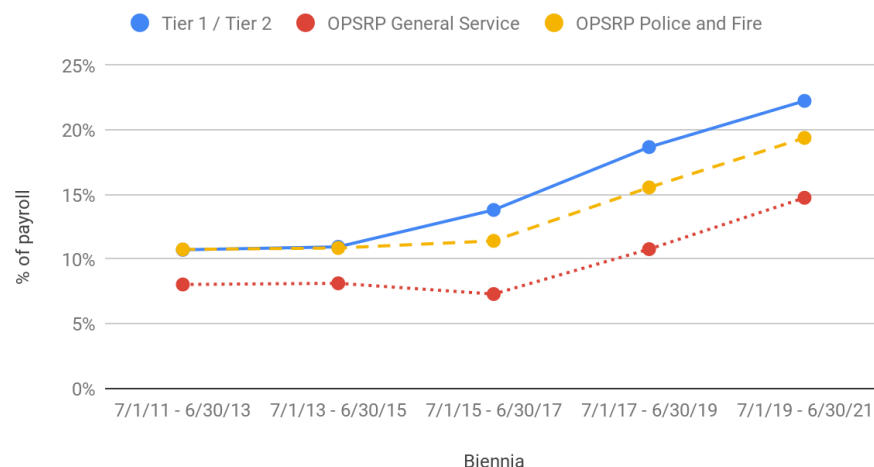
Pension expenses are not a major factor

Pension obligations are real and must be paid. Oregon's Public Employees Retirement System (PERS) was more than 100% funded before the 2008 recession, but lost billions as the markets crashed. Now public employers are pressed to contribute more to ensure adequate resources will be available to pay retirees.

As employers, universities make pension contributions as a part of employees' compensation packages. Employer payments are set as a percent of payroll. Universities also made additional payments to reduce unfunded pension liabilities; most of these unfunded liabilities are for people who are now retired.²⁴ Employer contributions totalled \$78.7 million in 2016, \$80.8 million in 2017, and \$107.9 million in 2018. Universities' rates in the 2019-21 biennium are around twice as high as they were when the Oregon University System was disbanded.

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Net Employer Contribution Rate for State Agencies



Data source: Oregon Public Employees Retirement System <https://www.oregon.gov/pers/EMP/Pages/Contribution-Rates.aspx>

Recent drops in the assumed rates of return on PERS investments show up as large pension expenses in university reports. Before 2014, PERS actuaries assumed that assets would grow by 8% a year. That was the basis for projections of how much more would be needed to meet long-term obligations.

²⁴ PERS By the Numbers report, <https://www.oregon.gov/pers/Documents/General-Information/PERS-by-the-Numbers.pdf>

The \$107.9 million in PERS payments in 2018 was an increase over the \$78.7 million paid in 2017, but still averaged under 3% of total operating expenses.

In 2014 PERS reduced the assumed earnings rate for Tier One from 8.0% to 7.75%; the rate dropped to 7.5% in 2016, and again to 7.2% in 2017. Lowering the assumed rates of return assumes current assets won't be worth quite as much in the future as originally expected. The result is an increase in the estimated long-term pension liability—these changes are disclosed in financial reports as pension expenses, but don't reflect the actual employer payments during the year.

Changes in reporting standards increased the amount of pension liabilities universities disclose. Previously, PERS liabilities were reported by the State of Oregon, but individual agencies like universities didn't report their own share of the liability. When the standards changed, pension liabilities were shifted to universities' books, making their financial positions appear weaker.²⁵

The \$107.9 million in PERS payments in 2018 was an increase over the \$78.7 million paid in 2017, but still averaged just 3.5% of total operating expenses.

Employer Pension Contributions in millions

School	2016		2017		2018	
	\$M	% of operating expense	\$M	% of operating expense	\$M	% of operating expense
EOU	1.3	2.30%	1.4	2.40%	2	3.50%
OIT	1.2	1.70%	1.2	1.70%	1.8	2.20%
OSU	22.4	2.00%	23.2	2.10%	33.9	2.90%
PSU	16.6	3.20%	17.4	3.50%	21.4	4.10%
SOU	2.4	2.50%	2.5	2.70%	3.5	3.80%
UO	32.1	3.50%	32.2	3.50%	41.5	4.30%
WOU	2.8	2.50%	2.8	2.60%	3.8	3.60%
Total	78.7	2.50%	80.8	2.60%	107.9	3.50%

Conclusion

The public university system in Oregon is going backwards on key metrics including tuition, university jobs, and enrollment by in-state students. A close analysis of university budgets reveals that this change is not a result of poor financial positions, a bad economy or other factors outside of administration's control. Rather, it's a result of misplaced priorities.

Oregon certainly isn't the only state in which this is happening, but we do have an opportunity to do things differently. University administrators could

²⁵ GASB Statement 68 (https://www.gasb.org/jsp/GASB/Pronouncement_C/GASBSummaryPage&cid=1176160219492) changed how pension liabilities are reported. Before GASB 68, long-term pension liability was reported in a footnote of the financial statements. Afterwards, Net Pension Liability is reported on the balance sheet. This accounting change has a big effect on the stated financial position.

begin to remedy this situation by re-prioritizing in-state students through a tuition freeze, and compensating classified staff at a level that is competitive with other public employers. The State Legislature could further increase this reprioritization through increased funding, however they would have no guarantees that universities' priorities would change due to the amount of autonomy universities have in how they spend their budgets. Universities must move first, and show that they are prioritizing Oregon students and working families.

Angela Canton

Angela Canton got her masters degree from Portland State University in 2006, and she hasn't left campus since. For the last 18 years she has worked for the University – first for the Black Studies program, and more recently for the Dean's Office as a program assistant. She coordinates the hiring of thousands of graduate student faculty and trains other departments on hiring processes.

After 18 years she has reached the top of the salary scale and earns \$45,552 per year before taxes and out-of-pocket healthcare costs. She says she is better off than a lot of her colleagues, but still struggles to get by – relying on scholarships for her son's sports and after school programs or having to choose between an unexpected expense and putting off a bill for a few months.

"I can't remember the last time I got a meaningful raise," Angela said.

Despite a strong economy, university management has offered scant pay increases over the last several years. Many workers like Angela have fallen behind the rising cost of living, particularly in Portland.

"I've learned how to budget my money," she said. "I'm a Portland native, so I have my mom. I have friends. I have a village. But I shouldn't have to rely on my community to get by. After 18 years, I should be making enough to be self sufficient."

Over the last few years a strong economy and increased funding from the State have put university budgets in a good situation. Management has invested in new buildings and even gave themselves a 3% raise this year. However, their offers to front-line staff like Angela are very different.

"It's pretty bad," Angela said of management's latest offer. "I work with finances. I see the executive salaries that come through. They don't necessarily

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deserve the wage they're getting. And they're telling us we have to settle for basically nothing."

At her salary, the 1.75% cost of living increase offered in the contract next year would amount to around \$70 per month – not enough to change Angela's circumstances in any real way.

"When we talk about a strike, it's a hard conversation," Angela said. "My son told me he was afraid that we wouldn't be able to buy groceries if I'm not getting paid. That's real. But I'm ready. Administration needs to see our worth. They need to see what we really do and if it takes a strike to show them, that's what we'll do."

"In my mind, I'm here for the students," she continued. "I'm here to make their lives better, so they don't just have a relationship with the parking lot and the classroom. They are our future leaders. I think they will take care of us in the future. And what they need is for management to respect the front-line staff who are taking care of students today."