

## 2017-19 Biennial Funding Request – Operating

### STATUS AS OF MARCH 21, 2016

On March 11, 2016, the Higher Education Coordinating Commission (HECC) provided guidance to the seven public universities related to 2017-19 state funding. The guidance is included in Appendix A and primarily requests that the universities model four funding level scenarios for the Public University Support Fund.

To date, the universities have analyzed eleven different funding scenarios. Six scenarios are currently planned for inclusion in the consolidated request document that will be submitted to the HECC on March 31, 2016. The Presidents Council reviewed a draft outline of the proposed document on March 10 and asked the vice presidents for finance and administration to finalize the response to the HECC. The vice presidents are incorporating the presidents' feedback and direction and working through iterative drafts. This docket provides a high level summary of the six scenarios still under development and shows how we anticipate funding might flow to OSU under the various scenarios. (Information about individual university funding levels will not be provided in the consolidated request that the seven universities submit to the HECC.) As soon as the formal 2017-19 Consolidated Request is complete, it will be provided to the Board.

#### Remaining Timeline

- March 21–25 ..... Public Universities finalize materials for 2017-19 Consolidated Request
- March 30–31 ..... OSU Board of Trustees considers HECC submittal
- March 31/April 1 ..... Public Universities submit 2017-19 Consolidated Request to HECC

### HECC REQUEST FOR INFORMATION

As provided in ORS 352.089(3)(a), “On or before April 1 of each even-numbered year, each university listed in ORS 352.002 must submit to an office designated by the Higher Education Coordinating Commission as being responsible for university coordination a funding request applicable to the biennium beginning on July 1 of the following year”.

Despite this statutory guidance, HECC’s instructions for the 2017-19 biennial funding request simply invite universities to participate with the HECC in developing funding scenarios for post-secondary education within the state’s budget development process. The guidance specifically notes that, “Unless further guidance is issued to the contrary, public universities... should expect that responses to the questions attached to this letter will meet the requirements” of ORS 352.089.

Key elements of the HECC guidance include:

- The HECC's budget process is a series of “ongoing conversations with you and other institutional leaders between now and legislative action in 2017...”
- The HECC seeks both a unified response from the seven public universities and an understanding of university-specific context.
- The unified response will “require you to make assumptions about a variety of external factors over which you may have little or no control; and will require assumptions on certain decisions that ultimately will be the purview of institutional governing boards, not institutional administration or the HECC. Especially given these unknowns, we are not asking you to make commitments to a particular course of action; rather, we are asking you to help us

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develop the modeling that will be necessary for the HECC, the Governor, and the Legislature to understand what is possible under different state investment scenarios.”

### **“CONSOLIDATED REQUEST” – A FOCUS ON CURRENT SERVICE LEVEL AND MULTIPLE FUNDING SCENARIOS FOR THE PUBLIC UNIVERSITY SUPPORT FUND**

The public universities have focused on the importance of a more accurate calculation of the Current Service Level (CSL). For state agencies, CSL incorporates anticipated cost increases in the Public Employees Retirement System (PERS) and health benefits managed by the Public Employees’ Benefit Board (PEBB), as well as obligations resulting from negotiated employee bargaining agreements. For the 2015-17 biennium, the universities’ CSL calculation included only a “standard inflation factor,” which provides far less than would be necessary to cover salary and benefit requirements and obligations. In the scenarios under consideration, *Scenario 1* would cover the state’s share of these cost increases while also allowing universities to keep tuition increases below 5%.

The HECC has requested four specific scenarios for the Public University Support Fund (PUSF), three of which would provide resources beyond 2015-17 funding levels. The universities also addressed downside scenarios that appear to be more realistic, given the state’s projected budget environment. While the most recent state revenue forecast indicates revenue growth of 8.2% for the 2015-17 biennium, anticipated cost increases are projected to outpace increased revenues, creating a budget gap for state-funded activities that could be as large as \$1 billion. The multiple scenarios are intended to reflect a full spectrum of potential state revenue pictures.

The following section illustrates how OSU might participate in the various funding scenarios. The PUSF funding is allocated to the universities using the HECC’s current allocation model – the Student Success and Completion Model (SSCM). Numerous enrollment and completion variables affect the calculations. For the purposes of modeling, only the level of state funding is changed while all other variables, such as changes in enrollment and the composition of that enrollment, are held constant. OSU’s allocation under any single scenario would vary once actual data for the other variables are incorporated into the actual funding allocation.



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In the event state funding significantly decreases from current levels (the “downside” scenarios), staff would return to the Board with specific recommended actions 1) when Academic Year 2017-18 tuition rates are being recommended and 2) when the Fiscal Year 2017-18 budget is brought for Board approval.

Moving to the other end of the funding level spectrum, if the state appropriations were to reach levels that provide resources beyond covering continuing service level costs, resident undergraduate tuition increases could be limited to modest increments (depending upon specific allocations to OSU), with additional tuition revenues being directed to scholarships or remissions for resident undergraduate students. Additionally, OSU would be able to make meaningful investments in a number of student success initiatives.

The Public University Provosts Council agreed that student access, affordability, success (completion and career development), and academic quality provide a framework for initiatives supported by increased funding across all seven institutions. Within that framework, OSU priorities would:

- Increase financial support to bridge gaps that become barriers for students to graduate on time;
- Increase advising capacity by hiring additional advisors who specialize in retention, graduation, and career development, including a “one-stop” support center for transfer students; and
- Increase capacity for student participation in experiential learning, including financial support needed for students to participate.

Following are examples of initiatives that would support those priorities, including connections to the HECC Strategic Plan themes and to the OSU Strategic Plan 3.0 goals. Which initiatives might be funded and to what extent would vary depending upon final allocations of state funding to OSU.

Initiative	Connections	
	Strategic Plans	Outcomes
Curriculum redesign to 1) strengthen math pathways, 2) improve courses that have high incidents of awarded grades of D, F or Withdrawal by students, 3) increase access to courses by further developing online education and hybrid formats.	OSU - 1.a., 1.c., 1.f HECC (a), (d)	Improved Retention & Completion
Assist faculty in course development using Technology Across the Curriculum (TAC) and Ecampus approaches to enhance face to face, hybrid and online learning for students generally.	OSU - 1.a., 1.c., 1.f HECC (a), (d)	Improved Retention & Completion
Bring Adaptive and Personalized Learning (APL) tools that would provide real time data about students' behaviors and practices in order to provide on time curriculum interventions, including related training for students, faculty, and staff.	OSU - 1.a., 1.c., 1.d., 1.f HECC (a), (d), (e), (g)	Improved Retention & Completion
Develop and Implement mobile technology with student success mapping of available resources so that students can have this at their fingertips, including related training for students, faculty, and staff.	OSU - 1.a., 1.d., 1.f HECC (a), (d), (e)	Improved Retention & Completion
Strengthen our degree partnership program to support transfer students coming into OSU. Expand support for community college transfer student pathways to 4-year degrees: capacity to update and improve articulation agreements with community colleges; targeted advising resources for transfer students. Transfer support will be critical with the Oregon Promise coming online.	OSU - 1.a., 1.f HECC (a), (d)	Improved Retention & Completion
Expand current programs that support first-generation, low income students on campus since we are currently unable to serve all of the students that could use these programs due to capacity.	OSU - 1.a., 1.f HECC (a), (d)	Improved Retention & Completion, particularly for underrepresented populations
Develop and Implement financial literacy programs to help students access and manage their finances and decrease debt.	OSU - 1.a., 1.f HECC (a), (c), (d), (e)	
Enhance central infrastructure to expand experiential learning (community-based learning/service learning; study abroad; internships; undergraduate research; leadership development)	OSU - 1.a., 1.b., 1.f., 3.a., 3.c. HECC (a), (d), (f)	Improved Retention & Completion
Enhance career development and placement resources for undergraduates with an emphasis on transferrable/soft skills to complement disciplinary knowledge and skills. This would include FTE for additional career advising capacity; FTE to oversee career-related experiential learning (career mentoring, job shadowing, industry site-visits, internships)	OSU - 1.a., 1.b., 1.f., 3.a., 3.c. HECC (a), (d)	Improved Retention & Completion
<p>Training and Development:</p> <ul style="list-style-type: none"> <li>o Provide training for faculty and staff around social justice and inclusivity;</li> <li>o Funding for institutional programmatic initiatives around issues of diversity, inclusion, equity and socials (President's speakers series, etc.);</li> <li>o Bias Prevention and Response Training for all community members and funding for Bias Response Team training;</li> <li>o Support for faculty training initiatives out of Academic Affairs;</li> <li>o Support to develop and implement a structure for staff training and onboarding (HR/Organizational Development);</li> <li>o Leadership Council Equity, Inclusion and Social Justice funding for ongoing training, initiative development, etc.</li> </ul>	OSU - 1.a., 1.b., 1.e., 1.f., 2.a., 2.b., 3.a,  HECC (a), (b)	Improved Retention & Completion, particularly for underrepresented populations

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## OSU Strategic Plan 3.0 Connections

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<u>Reference</u>	<u>Strategy</u>
<b>Goal 1. Provide a transformative educational experience for all learners</b>	
OSU-1.a.	Enhance an integrated learning environment that raises and equalizes retention and success of all learners.
OSU-1.b.	Make high-impact learning a hallmark of Oregon State undergraduate education, preparing students for responsible citizenship and global competitiveness.
OSU-1.c.	Advance teaching and learning in the Baccalaureate Core through innovations in course design, authentic assessment, interactive teaching and faculty development.
OSU-1.d.	Strategically grow online education programs, explore new pedagogical models and address all learning styles through myriad learning platforms.
OSU-1.e.	Enhance our comprehensive Healthy Campus Initiative, caring about the health and well-being of students, faculty and staff.
OSU-1.f.	Expand strategies to recruit diverse and high-achieving students and meet enrollment goals for OSU-Cascades.
<b>Goal 2. Demonstrate leadership in research, scholarship and creativity while enhancing preeminence in the three signature areas of distinction.</b>	
OSU-2.a.	Attract and retain faculty to strengthen the foundational disciplines and excellence in signature areas.
OSU-2.b.	Expand and cultivate transdisciplinary research through partnerships within Oregon State, along with industry and national and international partners.
OSU-2.c.	Selectively increase the quality, capacity and impact of Oregon State's graduate programs, while improving retention and student success.
OSU-2.d.	Expand and increase visibility of high-profile programs in the performing arts and creative work in the humanities.
<b>Goal 3. Strengthen impact and reach throughout Oregon and beyond.</b>	
OSU-3.a.	Position Oregon State's outreach and engagement programs as learning laboratories to promote high-impact experiences for students and to promote the broader impacts of university research more effectively.
OSU-3.b.	Drive economic development in Oregon by expanding commercialization, technology transfer and startup companies that originate from Oregon State research.
OSU-3.c.	Increase the number of Oregon State students who participate in study abroad and grow the number of strategic international research partnerships.
OSU-3.d.	Engage alumni and other external partners to advance university goals and priorities.

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## HECC Strategic Plan Connections

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<u>Reference</u>	<u>Theme</u>
HECC (a)	Improving educational attainment and completion for all Oregonians
HECC (b)	Improving Oregon's economic competitiveness and quality of life
HECC (c)	Ensuring that resident students have affordable access to colleges and universities
HECC (d)	Smoothing and simplifying pathways from developmental education through graduate school
HECC (e)	Supporting innovations that lower costs while maintaining or increasing quality
HECC (f)	Supporting research that contributes to the well-being of our state, national, and global economy
HECC (g)	Improving state and institutional capacity for capturing, analyzing, and reporting on student data

## OTHER STATE APPROPRIATIONS

### State Programs and Statewide Public Services

The universities agreed that seeking a more accurate CSL was also important for the programs funded under both the State Programs umbrella and for the OSU Statewide Public Services (Agricultural Experiment Station, Extension Service, and Forest Research Laboratory). Funding at comparable levels illustrated by *Scenario 1* would enable these programs to advance mission-focused activities – public service, research and education – instead of just maintaining current services – by covering mandatory cost increases that exceed state support.

### Sports Lottery

The universities support a return to funding the Sports Lottery account per ORS 461.543, which specifies that “an amount equal to one percent of the moneys transferred to the Administrative Services Economic Development Fund from the State Lottery Fund shall be allocated... to the Sports Lottery Account.” In recent biennia, the legislature has both capped the total funding for Sports Lottery at levels below the 1% calculation, as well as limited specific allocations to OSU and the UO. A return to the higher level would significantly benefit student athletics (88% goes to athletic programs) and graduate students (12% goes to graduate scholarships).

## NEXT STEPS FOR THE FUNDING REQUEST PROCESS

The HECC has requested that university input into the HECC’s budget development process take the form of advancing the understanding of “the relationship between state investments, affordability, and student outcomes”, including scenario modeling, rather than receiving a request for a specific amount of state funding.

The public universities have collaborated and developed a 2017-19 funding request that addresses the universities’ most pressing concerns around state funding and opportunities for improved student success that would or would not be possible under a variety of funding levels. It responds to the HECC’s request to understand how different state funding levels may affect students rather than a point-in-time request for specific dollars for a specific institution. Through this process, *Scenario 1* has emerged as the minimum needed to truly cover unavoidable cost increases as well as to keep tuition increases below 5%. Comparable “true CSL” funding levels for the State Programs and Statewide Public Services would also keep those programs whole and prevent erosion of services to Oregonians.

Once the universities submit the 2017-19 consolidated funding request to the HECC, the universities will continue the conversation with our state partners – the HECC, the Governor’s Office, and the Legislature – as well as with our students and stakeholders on the importance of maintaining the current level of services provided during the 2015-17 biennium.

## DRAFT RECOMMENDATION (PENDING FINALIZATION OF CONSOLIDATED REQUEST)

The University is seeking the Board’s approval and support for a specific funding level that will ensure that universities can provide at least the same level of service as is being provided during the current biennium, while keeping tuition increases below a 5% increase for each of the two years of the 2017-19 biennium.

Staff propose the Finance & Administration Committee recommend to the Board endorsement of *Scenario 1* (as illustrated in Table 2) as the minimum funding needed for the 2017-19 biennium to maintain efforts for student success and services to Oregonians. All aspects of

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student success are more likely with stable state support that addresses mandated cost increases and helps restrain tuition increases and the resulting debt burden for students.

<b>TABLE 2: 2017-19 DRAFT Funding Request</b>		
Appropriation Category	2015-17 OSU Participation*	2017-19 OSU Participation*
	<i>PUSF @ \$665M</i>	<i>DRAFT "Scenario 1" PUSF @ \$765M</i>
<b>Public University Support Fund</b>	\$207,517,831	\$238,440,358
<b>State Programs</b>	<u>\$20,178,985</u>	<u>\$22,833,744</u>
Subtotal Education & General (E&G)	\$227,696,816	\$261,274,102
<b>Statewide Public Services</b>		
Agricultural Experiment Station	\$63,121,066	\$68,108,000
Extension Service	\$45,601,540	\$49,204,000
Forest Research Laboratory	<u>\$9,771,107</u>	<u>\$10,543,000</u>
Subtotal SWPS	\$118,493,713	\$127,855,000
<p><i>* Funding for the PUSF is allocated via the HECC's Student Success and Completion Model. Due to multiple variables in the model, OSU's specific allocation is estimated for both 2015-17 (FY17 yet to be allocated) and 2017-19. For State Programs shared among institutions, OSU's 2017-19 allocation is estimated.</i></p>		



**Oregon**  
Kate Brown, Governor

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March 11, 2016

Dear President-

On behalf of our colleagues on the Higher Education Coordination Commission, we want to express how much we are looking forward to working with you over the next several months on the development of and advocacy for the State of Oregon's 2017-19 budget for post-secondary education.

Our efforts to build this budget will involve ongoing conversations with you and other institutional leaders between now and legislative action in 2017 – sometimes in writing, sometimes in person; sometimes individually, sometimes as a group. We hope you will understand this letter and the request it contains as the beginning of a conversation that will undoubtedly evolve over time. We intend for the information you provide to help the HECC understand your institution's particular budgetary conditions, as well as the potential consequences of state investment choices. Ultimately, it will help us more effectively advocate on your behalf.

While a unified response on behalf of all seven public universities is being requested, institution-specific context and information supporting that unified request will remain a valuable resource for the Commission during the development of its 2017-19 budget request.

In order to most effectively advocate on your behalf – and especially on behalf of Oregon taxpayers and students who seek a strong return on their investments in higher education – we believe that it will be necessary for the HECC to describe to the Governor, legislators, and the public, more clearly than has been described before, the relationship between state investments, affordability, and student outcomes.

The following themes from the draft HECC Strategic Plan are provided as guidance for the strategic and programmatic decisions underlying the requested unified response:

- Improving educational attainment and completion for all Oregonians
- Improving Oregon's economic competitiveness and quality of life
- Ensuring that resident students have affordable access to colleges and universities
- Smoothing and simplifying pathways from developmental education through graduate school
- Supporting innovations that lower costs while maintaining or increasing quality
- Supporting research that contributes to the well-being of our state, national, and global economy
- Improving state and institutional capacity for capturing, analyzing, and reporting on student data

We appreciate that to answer the questions attached will require you to make assumptions about a variety of external factors over which you may have little or no control; and will require assumptions on certain decisions that ultimately will be the purview of institutional governing boards, not institutional administration or the HECC. Especially given these unknowns, we are not asking you to make commitments to a particular course of action; rather, we are asking you to help us develop the modeling that will be necessary for the HECC, the Governor, and the Legislature to understand what is possible under different state investment scenarios.

Finally, we note that the questions attached to this letter do not address an additional area of HECC responsibility for partnering with you on budget development; namely, for capital investments. Additional guidance will soon be issued to assist in the development of capital requests.

We would like to receive your institution's responses to these questions by March 31, 2016, and look forward to discussing them both in an individual as well as a collective setting around that time. Please address your responses, as well as any questions that you may have related to this project to [ben.cannon@state.or.us](mailto:ben.cannon@state.or.us).<sup>1</sup>

We are cognizant of the considerable time and energy that requests like this one require in order to respond thoroughly and thoughtfully. We know there are many other high-priority demands on your time. Please accept our appreciation for your engagement in this effort.

With gratitude,

Neil Bryant  
Chair, Higher Education  
Coordinating Commission

Ben Cannon  
Executive Director, Higher Education  
Coordinating Commission

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<sup>1</sup> Unless further guidance is issued to the contrary, public universities listed in ORS 352.002 should expect that responses to the questions attached to this letter will meet the requirements of ORS 350.090(1a) to "on or before April 1 ... submit to an office designated by the HECC ... a funding request."

## Section 1: Development of the Public University Support Fund<sup>2</sup>

### A. To establish the cost of maintaining the status quo:

1. What amount of state resources are projected to be needed in the 2017-19 biennium to maintain similar levels of programs and learning outcomes for Oregon resident students as in the current biennium? Please assume enrollment (resident and non-resident) and tuition remain at 2015-16 levels.<sup>3</sup> This calculation should not include assumptions about State of Oregon Current Service Level rates.
2. Please itemize the major cost drivers behind your answer in #1, indicating the approximate contribution in dollars that each makes to the total (for example, general inflation, salary and benefit roll-ups, other contract obligations, planned contributions to reserve funds, etc.).

### B. To establish the impact of a variance from the status quo:

1. Please identify and elaborate on strategies your institution would employ as a result of a 10% increase to the incremental funding required to maintain the status quo, as identified in the calculation of the answer to A1. Please quantify the impact of this increase to key educational, public service, and research outcomes.
2. Please identify and elaborate on strategies your institution would employ as a result of a 20% increase to the incremental funding required to maintain the status quo, as identified in the calculation of the answer to A1. Please quantify the impact of this increase to key educational, public service, and research outcomes.
3. Please identify and elaborate on strategies to address a 10% decrease to the incremental funding required to maintain the status quo, as identified in the calculation of the answer to A1. Please quantify the impact of this decrease to key educational, public service, and research outcomes.
4. Please identify and elaborate on strategies your institution would employ as a result of a decrease in PUSF funding to \$616,455,000. Please quantify the impact of this decrease to key educational, public service, and research outcomes. (This scenario approximates a net 7.3% decrease from the 2015-17 PUSF resulting from a 3% CSL adjustment followed by a 10% decrease to the adjusted PUSF subtotal).
5. Please provide a calculation of the projected additional revenue from successive 2% annual increases (2% increase in FY18 followed by 2% increase in FY19) to tuition and mandatory enrollment fees. Please show both the overall increase in revenue and that portion derived from resident, undergraduate students, itemized by fiscal year and institution.

## Section 2: Development of Budget Requests for Funding that is not formula-driven

For 2017-19 budget requests that do not involve adjustments to formula-driven funding streams, please provide the information requested below:

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<sup>2</sup> For public universities, the focus here is on the Public University Support Fund, which will be allocated using the Student Success and Completion Model (SSCM), including Mission Differentiation line-item funding. It does not include statewide public services, state programs, or one-time, or lottery funding.

<sup>3</sup> This question is designed to elicit the baseline case. As a result, it holds most variables constant, including inputs (tuition, enrollment, student profile) and outputs/outcomes (program levels, learning outcomes). It assumes that the state bears the entirety of any added costs. Your answer does not need to match the state-defined Current Service Level.

C. For those programs **not** subject to a proposed expansion, reduction, or elimination:

1. Please provide the 2015-17 appropriation or allocation and the 2017-19 state appropriation or allocation necessary to maintain current program operations and outcomes.

D. For those programs subject to a proposed expansion, reduction, or elimination:

1. Describe the nature of the request. Provide a description of the program the funding request supports, the clients that it serves and the frequency at which those clients receive service. Describe the purpose of the program and how it achieves that purpose. Describe how the program is delivered and what partners are necessary to guarantee success of the program.
2. Identify the amount that is being requested, by fund type, and the number and classification of positions and FTE requested, if any. Provide explanation for any costs that are not directly related to positions and position-driven services and supplies.
3. Explain how the request will advance the 40/40/20 goal, if appropriate. Include the impact of the request on the 40/40/20 goal, including the timeframe when the results will be measurable.
4. If the request is not related to 40/40/20, explain what other state goals will be advanced by the request. Include the impact of the request on the goal, including the timeframe when the results will be measurable.
5. If the request is not related to a state goal, explain what institutional/agency goal will be advanced by the request. Include the impact of the request on the goal, including the timeframe the results will be measurable.
6. Indicate if the request requires or supports proposed statutory changes.
7. Describe any non-state revenues that supports the program. Include a description of leveraged funds and the nature of how Oregon qualifies to receive the additional resources (competitive grant, federal matching program, private donation, performance bonuses, etc.). If the program has a dedicated funding stream, describe the dedicated source and the nature of the dedication (constitutional or statutory) providing legal citations to the dedication.
8. If the request involves establishing or increasing fees, indicate the existing fees, the proposed fees, and the impact on revenue in the 2017-19 biennium.