

I. General Introduction

The Oregon University System's 2003-04 *Budget* is prepared by the Chancellor's Office of Budget and Management. It is a reference tool intended for use by campus and Chancellor's Office staff and may be updated from time to time. Other interested parties may find the information included in this document helpful in understanding the OUS Resource Allocation Model (RAM) that serves to distribute state General Fund resources within the university system.

The *2003-04 Budget Report* generally provides technical details concerning the 2003-04 Oregon University System operating budget, including allocations of state General Fund via the OUS Resource Allocation Model (RAM). Information on the 2003-2005 state appropriation and other limited funds generated by the institutions is also included. A companion publication (*2004-05 Budget Report*) will be produced during the 2003-2005 biennium and will detail similar budgetary information for fiscal year 2004-05.

For a look back at details concerning the 2001-2003 Oregon University System operating budget and corresponding RAM allocations, please see the *2001-02 Budget Report Summary (2001-02 BRS)* and the *2002-03 Budget Report Summary (2002-03 BRS)*.

2003-05 Funding

Biennial Appropriation: Approximately \$679 million in state General Fund is available to OUS via legislative appropriations for the 2003-2005 biennium, including \$11.5 million in capital funding for building repairs and renovations. This amount reflects a reduction of \$62.7 million from the previous biennium. Other Funds Limited Revenue increased by \$251.5 million, due mainly to increases in tuition and fee revenues based on enrollment growth and tuition rate increases. Still at risk is an additional \$11 million in potential reductions in the Education and General Program that would be implemented if a measure to repeal the tax surcharge enacted by the Legislature is placed on the ballot and passes in February 2004. In general, biennial funding will be split 50%-50% between 2003-04 and 2004-05.

RESOURCE ALLOCATION MODEL

The Resource Allocation Model serves the OUS by:

- 1) Establishing the amount of the OUS request for state funding.

The RAM seeks funding at the median of comparator universities and establishes the state general fund request based on average discipline costs using comparator information. The number of eligible full time students (Oregon residents generally) by discipline drives funding. Funding values are identified in 12 "cells": four levels of instruction by low, medium, and high cost. Each cell represents the average state share of cost for one FTE student. The number of FTE students in each cell drives the projected state revenue necessary to adequately fund instructional programs.

Since the RAM was adopted in 1999, the Legislature has not fully funded the OUS request for state support.

2) Allocating state General Fund dollars to campuses.

State General Fund support is provided to campuses through two mechanisms: on a *per-student FTE basis* that is funded through the cells, and on a *targeted program basis*. The level of campus enrollment generates state fund support via the RAM. Due to state revenue reductions, the cell values and the number of students funded have been decreased to fall within the dollars available for allocation.

Targeted Programs generally provide funding to support policy decisions, those areas not reached through cell funding, or those areas in need of enhanced funding due to extraordinarily high program costs or other factors. Targeted Programs are mission based rather than enrollment driven and make up about 30% of state funding. Funding for targeted programs support two major mission functions: research and public service. Key targeted programs are campus public service programs, land grant activities, state-supported research centers, engineering program support, and Central Services, which includes the Chancellor's Office, systemwide expenses, capital construction, and debt service.

In addition to state General Fund allocations to campuses, tuition and fee revenues are retained by the generating campus. This combined approach supports OUS' commitment that funding shall follow students. Each university has an enrollment management plan that is built on campus location, breadth, and depth of undergraduate and graduate programming, facility capacity, research and public service objectives, and other factors that have a variable effect on enrollment projections. The funding partially supports instruction, academic support, institutional support and other support programming

Principles of RAM Funding - 2003-2005

The 2003 Legislature issued a Budget Note stating the expectation that RAM funding will be distributed during this biennium based on the following principles.

In order to maintain 1) a level of **Quality** as directed by the Board, and 2) a degree of **Stability** as required by the current circumstances:

- 2003-05 cell funding for undergraduate and graduate instruction will be calculated at 72% cell values (the 36th percentile of OUS peer funding)
- The total number of Oregon resident students funded by state appropriations will be indexed to the cell values
- The number of Oregon resident students funded at each campus will be indexed proportionately to 2002-03 actual enrollments
- Additional students may be accepted and funded at individual campuses by tuition only, so long as the campuses provide assurances that quality will be maintained
- At the end of each fiscal year of the biennium, there will be a settle-down in which state appropriation funding will be proportionately reduced for those campuses that fail to meet enrollment targets

- Targeted program allocations will be based on 2002-03 post special-session levels, but will be subject to adjustment depending on Legislative and/or Board actions for 2003-05

Ram Review and Cell Valuation

Every four years, OUS will undertake a review of its Resource Allocation Model, including a comprehensive revaluation and redistribution of the CIPs that populate the cells and provide data for the model's enrollment driven component. Since the RAM was constructed during the 1997-1999 biennium, the first review began during the 2001-2003 biennium. The initial work focused on the cell level assignments of CIPs and initial conclusions and recommendations are currently under review.

Project description: The overall objective of this project is to stabilize and refresh the Resource Allocation Model. Specifically, the goals will be to:

- Re-evaluate the RAM given the dramatic decline in state support and increasing reliance on tuition and fees to support OUS operations.
- Revalue and where appropriate redistribute the CIPs contained within the cells that comprise the enrollment-driven matrix at the heart of the model.
- Account for the role of tuition - as well as state support - in the revenue calculations for Education and General Funds.

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