

## **IX. Other Information Related to the 2004-05 Operating Budget**

### **LEGISLATIVE BUDGET NOTES**

#### **Vacancy Savings Adjustment**

The budget is reduced by a total of \$12,276,269 General Fund, in application of a vacancy experience factor on personal service costs, excluding costs for positions funded by non-limited gifts, grants or contracts. This vacancy experience factor reflects the average rate of savings the Committee approved in other state agency budgets as a result of review of vacant positions, with an additional reduction to help fund new programs in the Education and General program area. The Department is directed, in the execution of this budget, avoid filling vacant positions wherever plausible.

#### **Compensation Increases**

The adopted budget does not support any increases in salaries, wages, or benefits for the employees of the Department during the 2003-05 biennium, and the Subcommittee expects no such increases to be awarded.

#### **Integration of Accounting and Budget Structures**

The Department of Higher Education is directed to match its accounting program structure (in RSTARS) and budgetary structure (in ORBITS) for the execution of the 2005-07 biennium budget. This action will more easily link accounting with budgetary information as directed in the Statewide Financial Master Plan approved by the 1989 Legislature. The Budget and Management Division and the Legislative Fiscal Office will approve these structures and work with the agency to ensure timely implementation. A report and plan will be presented to the Ways & Means Committee during the 2005 Session on agency progress in meeting these timeframes.

#### **Administration**

The Department of Higher Education and the Department of Administrative Services shall assist the Legislative Fiscal Office in preparing a study of the administrative functions of the Chancellor's Office and of the campuses. The scope of this review shall be to evaluate the coordination of services between the Chancellor's Office and the campuses, and to make recommendations to improve efficiency of operations and avoid unnecessary duplication of services. The Legislative Fiscal Office shall present this report to the 2005 Session of the Legislative Assembly.

#### **Tuition and Fees**

The approved budget, except for a reduction in Other Funds expenditures to reflect the reduction in employer contribution rates for the Public Employees Retirement System (PERS), accommodates tuition and fee revenue projected under the rate structure approved by the State Board of Higher Education for the 2003-04 academic year, and the rates proposed for the 2004-05 academic year. The Subcommittee expects that the Board will not increase rates on tuition and other fees that generate funds for the Education and General limited budget beyond these levels, if the General Fund appropriation to the Department is not reduced after adjournment of the 2003 regular legislative session. The Subcommittee notes that the Emergency Board may increase the Other Funds expenditure limitation for the Education and General program if enrollment levels exceed those currently projected. The Subcommittee further notes that resource fee (including energy surcharge fee) revenue in the approved budget totals 8.6% of gross tuition revenue. The Subcommittee expects the Department to limit resource fee revenue to no more than 8.6% of gross tuition revenue.

## Fee Remissions

The legislatively adopted budget includes \$112 million of fee remissions. This total includes \$65 million of programmatic fee remissions and \$47 million of graduate fee remissions. The Department will limit fee remission awards to these levels, and campuses will not enter into commitments for fee remissions in excess of these totals, unless total enrollment exceeds the enrollment projections the Department most recently reported to the Subcommittee, and the intent to award fee remissions in excess of these amounts is reported to the Emergency Board or Legislative Assembly before the excess fee remission awards are committed. The adopted budget supports programmatic fee remissions equal to 8% of gross tuition revenue. The Subcommittee expects the Department to limit programmatic fee remissions to no more 8% of gross tuition revenue.

## Resource Allocation Model Distribution

The Subcommittee acknowledges receipt of a statement of *Principles of RAM Funding* for the 2003-05 biennium. The Subcommittee expects that General Fund will be distributed in accord with these principles. If the Department of Higher Education makes substantial changes to these principles, it shall report on all substantial adjustments made to the Resource Allocation Model, and identify the fiscal impact to each campus and to centralized Oregon University System operations of each change. The Department shall present a report on 2003-04 academic year adjustments to the Emergency Board no later than December 2003, and present a report on 2004-05 academic year adjustments (and any prior academic year adjustments approved after the December 2003 report) to the Emergency Board no later than September 2004. These reports may exclude adjustments made to correct errors in data or projections

## EXTENDED PROGRAMS

Campuses will continue current practices to create tailored fee structures to meet market conditions in extended programs, continuing education, and contract instruction.

### *Tuition Setting/Review and Approval Process:*

- The respective roles of the campus administration, Chancellor's Office, and Board in tuition and fee recommendations, review, and approval remain the same as in the past.
- Individual campuses will retain all revenue generated except:
  - Student building fee revenue will continue to be "pooled" as debt service reserve in the 2003-2005 biennium.
  - The Finance and Administrative cost rate, previously known as indirect cost recovery, negotiated with the U. S. Department of Health and Human Services (DHHS) for sponsored research projects includes allowable centralized activity costs. That portion of F&A costs recovered for these purposes (added to the institution's allowable activity costs), will be transferred to the Chancellor's Office by the respective institutions in accordance with standard accounting procedures.

## 2003-2005 Compensation

### LEGISLATIVE ACTIONS

The Legislature did not provide any funding for compensation increases and adopted the following budget note:

#### *Compensation Increases*

“The adopted budget does not support any increases in salaries, wages, or benefits for the employees of the Department during the 2003-05 biennium, and the Subcommittee expects no such increases to be awarded.”

#### **2001-2003 Salary Increases**

Negotiations have been completed between the Oregon University System and classified employees represented by SIEU, relative to salaries and benefits. Employees agreed to a salary freeze for the biennium with the exception of a one-time payment of \$350 per FTE in 2004-05. The \$350 payment is estimated to cost \$1.5 million systemwide for classified employees and will total \$4.2 million if the payment is extended to all employees systemwide.

#### **Public Employees Benefits Board (PEBB) Insurance Increases**

The agreement with classified employees continues fully paid health insurance at the current benefit levels. PEBB costs increased by 9.1% in 2004 and by 14.5% in 2005, with total costs increasing by \$22.6 million over 2002-03 levels. The PEBB Board has agreed to release \$15 million statewide in stabilization reserves to subsidize the cost increase. The OUS portion of the subsidy is now estimated to be \$3.7 million.

#### **Public Employees Retirement System (PERS)**

The 2003 Legislature made several changes to the Public Employees Retirement System. The Governor’s Recommended Budget included PERS expenses estimated at 20.28% of eligible salary, including PERS pickup. The Legislature reduced this amount by 5.67% of salary to 14.61% based on the estimated savings of various Legislative actions, including plan changes and the expected financing of a portion of the unfunded PERS liability. In addition to \$18.8 million in State General Fund reductions for PERS, the Legislature also directed the OUS to remit \$14 million in estimated PERS savings from Other Funds Revenue (comprised mainly of tuition and fee revenue) to the State General Fund to support general government operations.

The Legislative changes to PERS are being challenged in the courts, and some or all of the changes may be overturned, resulting in a sharp increase in PERS rates. It is expected that the court cases will be resolved within the next 12 months.