Building the 2007-2009 Budget and the Proposed 2007-08 Budget

State Board of Higher Education Meeting
OSU - Cascades
September 7, 2007
2007-2009 OUS Budget

Guiding Principles:

➢ Compliance with Legislative expectations and representations
➢ Reinforce OUS Board expectations and goals
➢ Equitable basis for distribution of General Fund to campuses
➢ Creation of incentives to:
  • Serve more Oregonians
  • Improve retention, reduce time to degree and improve graduation rates
  • Attain sustainable finances at the regional campuses
➢ Begin to renormalize the RAM as directed by budget note
2007-2009 Budget: Legislative Expectations

Budget Note

“The Subcommittee understands that beginning in the 2009-2011 biennium, the Department will distribute General Fund appropriated for Undergraduate and Graduate cell funding in the Resource Allocation Model on the basis of actual fundable student FTE counts for the fiscal year of the distribution. This may include adjustments designed to settle up fiscal year allocations once final fundable student FTE counts are known.”

(SB 5515 OUS Legislative Operating Budget)
2007-2009 Budget: Legislative Expectations

Renormalizing the RAM to Comply with Budget Note

- Negative impact to some campuses; positive impact to others
- Funding the past enrollment growth from the frozen 2001-2003 base to 2006-07 would cost $25.8 million
- Funding the projected 2007-2009 growth would cost $9.8 million
- Funding received in 2007-2009 insufficient, thus suggesting a two-biennium “phased” approach to renormalization
- Path to compliance by 2009-2011
  - Phase in funding for enrollment changes - 50% in 2007-2009 and 50% in 2009-2011 (subject to adequate funding)
  - Phase out subsidies
2007-2009 Budget

Fundable FTE Difference from 2002-03 to 2006-07 actual and 2007-2009 projected enrollments

- EOU
- OIT
- OSU
- OSU-CASC
- PSU
- SOU
- UO
- WOU
- OUS

Legend:
- 2006-07
- 2007-08
- 2008-09
2007-2009 Budget – Enrollment Driven

Fundable FTE Difference from 2002-03 to 2006-07 Actual and 2007-2009 Projected Enrollments
2007-2009 Budget: Legislative Expectations

Enrollment Growth Policy Package

$20.6 million

Legislative expectation:

• $10.3 million to begin to “renormalize” the RAM by funding past growth of previously unfunded fundable students; and

• $10.3 million for:
  – Increased enrollment of 2007-2009 fundable students; and
  – to increase cell values for all institutions - with the monies to be used for improved student retention and graduation.
2007-2009 Proposed Budget - Enrollment Driven

Enrollment Driven Formula

▫ Floor
  • Adjusted 2005-2007 Allocation

▫ +/- 2003-2007 Enrollment Change
  • funded @ 50%

▫ + Increased Cell Value For Student Success
  • $4 million distributed to all campuses with understanding that campuses would improve retention and graduation (see slide #14 for detail)

▫ + 2007-2009 Enrollment Growth
  • Funded at 50%
  • Subject to settle up process
  • $423,000 enrollment reserve
## 2007-2009 Budget - Cell Values

<table>
<thead>
<tr>
<th></th>
<th>Lower Division</th>
<th>Upper Division</th>
<th>Master/Grad</th>
<th>PhD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1</td>
<td>$2,150 / $2,414 / $3,780</td>
<td>$2,768 / $3,108 / $4,866</td>
<td>$3,346 / $3,931 / $6,155</td>
<td>$6,298 / $7,399 / $11,585</td>
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<tr>
<td>Level 2</td>
<td>$2,699 / $3,031 / $4,746</td>
<td>$3,454 / $3,879 / $6,073</td>
<td>$4,527 / $5,318 / $8,327</td>
<td>$7,544 / $8,863 / $13,878</td>
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<tr>
<td>Level 3</td>
<td>$3,866 / $4,341 / $6,797</td>
<td>$5,239 / $5,882 / $9,211</td>
<td>$6,495 / $7,630 / $11,947</td>
<td>$9,512 / $11,175 / $17,498</td>
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<tr>
<td>Law</td>
<td></td>
<td>$7,151 / $8,401 / $13,154</td>
<td>$6,298 / $7,399 / $11,585</td>
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<tr>
<td>Pharm.</td>
<td>$5,598 / $6,576 / $10,297</td>
<td>$5,598 / $6,576 / $10,297</td>
<td>$8,528 / $10,019 / $15,688</td>
<td>$17,713 / $20,809 / $32,583</td>
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<tr>
<td>Vet Med</td>
<td></td>
<td></td>
<td>$24,929 / $29,286 / $45,858</td>
<td></td>
</tr>
</tbody>
</table>

- 2006-07 cell values  55-58% of estimated peer values
- 2007-08 proposed cell values  64% of estimated peer values
- 2007-08 estimated peer values @ 100%

Oregon University System
Faculty Salaries Policy Package

- $10 million

- Legislative expectation:
  - Faculty salary funding distributed based on 2006-07 faculty salaries in E&G funds and instruction, research and public service program areas.
  - Funding intended to assist campuses in gaining position in relation to peer salaries. Must be used only to improve compensation for faculty (excluding those with the rank of Dean or above) involved in, and funded from, teaching, research or public service activities and budgets.
2007-2009 Budget: Legislative Expectations

Student:Faculty Ratio Policy Package

➤ $6.9 million

➤ Legislative expectation:

• Funding to reduce student:faculty ratios at campuses that were above peer levels

• Proposed funding distribution based on each campus’ relative distance to its peers. Intended to allow OUS to hire additional full-time faculty at institutions participating in this allocation, thereby lowering their student:faculty ratios

• OIT and SOU are currently less than peers and will not participate in this funding
2007-2009 Budget: Legislative Expectations

Regional Support Policy Package

- $9 million

- **Legislative expectation:**
  - Increase retention, graduation or other student success factors;
  - Provide a base amount needed for sustainable operations. This funding must be used to fund a mutually agreed upon plan to reach financial sustainability; and
  - Provide transition funding needed by some campuses to execute Board approved retrenchment plans.
2007-2009 Budget: Board Expectations

Funding to improve student retention and graduation:

> $4 million from enrollment funding and $3.5 million from regional support funding - **$7.5 million total**

> Universities will receive this funding in 2007-2009 to:
  * improve retention of freshmen to the sophomore year;
  * reduce the time required for students to complete baccalaureate degrees; and
  * increase the percentage of freshmen who attain such degrees within four and six years.

> Release of funds contingent upon agreement with Chancellor’s Office on plan to achieve higher retention and graduation rates, with quantified performance measures showing current performance and goals for improvement in each of next six years

> In future biennia, intention that funding directed to campuses that show measurable improvement in retention and graduation
2007-2009 Budget: Board Expectations

Funding to improve regional campus sustainability:

- $3.5 million from regional support funding
  - This funding must be used to fund a mutually agreed upon plan to reach financial sustainability

- $2 million from regional support funding
  - This funding is to be used by SOU and EOU to implement Board approved retrenchment plans
  - This funding is to be non-recurring transition funding only and will be reallocated by the Board in 2009-2011

- $3.5 million for improved retention and graduation
  - This will also help in achieving financial sustainability
2007-2009 Budget - Targeted Programs

Targeted Programs Classification

- Regional support
- Engineering
- Research
- Institutes and programs
- SWPS
- Central Services
- Other
2007-2009 Budget - Targeted Programs

- Most Targeted Programs not enrollment driven, with four exceptions:
  - Small school support
  - Engineering technology
  - Engineering graduate
  - Collaborative nursing

- Frozen since 2001-2003
  - Rates
  - FTE

- In 2007-2009 rates and FTE are updated
- Phased in at 50%

- $717 Per FTE < 7,500
  ($430 per FTE @ Cascades)

- Adjustment for higher cost programs
  $5,045 per FTE

- Adjustment for higher cost programs
  $4,036 per FTE

- Adjustment for cost of services provided to OHSU students at regional campuses
  $331 per FTE
2007-2009 Budget - Targeted Programs

Engineering

➤ Industry Affairs/OMI

➤ Engineering graduate and technology support

➤ ETIC
  • Rebase former dollars ($22.3 million)
  • New policy package ($15.0 million)
  • Expected outcomes
    - Movement toward goal to increase engineering graduates from 1,127 in 1999 to 2,227 in 2012-13
    - Expand research dollars from $32 million in 1999 to $81 million in 2008-09
2007-2009 Budget - Targeted Programs

Research funding

- Formula based as a percentage of research dollars
  - No increase other than EBL adjustments since 2003
  - Proposed allocation for 2007-2009 is increased for EBL only
  - Current allocation approximately 50% of amount needed based on these formulas (% research and % faculty salaries)
    - Cost to rebase is $12 million
  - Federal IDC may decline, potentially changing economics of research
Institutes/Programs

- **Campus public service programs**
  - LERC $188,000 (UO)
- **Dispute Resolution**
  - additional $752,000 and change in distribution formula between PSU and UO
- **Natural Resource Institute**
  - additional $200,000 (OSU)
- **Oregon Solutions**
  - additional $2,600,000 (PSU)
- **Climate Center**
  - $180,000 (OSU)
- **Leadership Institute**
  - $150,000 (PSU)
2007-2009 Budget - Targeted Programs

Institutes/ Programs (continued)

➢ Rural Access
  • Pilot Program $580,000 to EOU
  • Outcomes
    » Establish district based program to encourage rural high school students to attend college
    » Increase number of rural high school freshman attending college in Oregon
    » Increase freshman to sophomore persistence rate for students from rural high schools
    » Increase number of college graduates who came from rural high schools

➢ Health professions
  • $7,396,500 distributed to OIT, EOU, SOU and WOU
  • Outcomes
    » Develop adequate capacity to provide core basic science & education courses required in OCNE curriculum
    » Increase Sonography graduates by 15-21 per year by 2011
    » Increase Medical Technologist graduates by 24 per year by 2011
    » Increase Dental Hygienist graduates by 24 per year by 2011

➢ Veterinary Medicine
  • Diagnostic Lab
    » $750,000
  • Phase out of subsidy relative to phase-in of enrollment funding
    » $3.3 million – 50% in 2007-2009, balance in 2009-2011 subj. to available funding

➢ DPSST Debt Services
  • $170,000 to replace income lost when DPSST moved
2007-2009 Budget - Targeted Programs

Statewide Public Services

➢ $15 million increase

• Outcomes
  ✓ Increased profits and sustainability within the Oregon agricultural sector including viticulture and bio-based products
  ✓ Increase output and wage income in the forestry sector
  ✓ Increase number of Oregonians participating in extension services
  ✓ Increase the number of volunteers associated with SWPS per FTE faculty in SWPS

IDTS

➢ $1.437 million

➢ New funding plus carry-forward from 2005-2007
2007-2009 Budget - Other Categories

Miscellaneous

- Utilities
  - Based on 2005-06 usage

Debt Service

- Based upon debt service schedules

Capital

- All of the General Fund for capital is allocated to the first year of the biennium
2007-2009 Budget - Other Categories

Lottery

- Funding Increased from $3.6 million to $12.7 million
  - General Fund reduced by $4.9 million
- Distributed using Formula adopted by OUS Board last year
- Allocated 3/7ths in year one due to Lottery allocation schema

Capital Repair

- Allocated based on E&G facility square feet and deferred maintenance backlogs
Staff Recommendations

1. Approve the proposed guiding principles and process used to determine the 2007-2009 allocation of state General Funds including the lifting of the enrollment freeze to begin the process of phasing in the use of current enrollments as the basis of RAM allocations;

2. Approve the 2007-08 Annual Operating Budget as displayed in Table 5 and Appendix A; and

3. Authorize the Chancellor or designee to make adjustments as needed.
2007-2009 OUS Budget

Thank you for your interest and attention

Questions?