February 14, 2014

Dear President-

On behalf of our colleagues on the Higher Education Coordinating Committee, we want to express how much we are looking forward to working with you over the next 12-15 months on the development of and advocacy for the State of Oregon’s 2015-17 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 2015 – 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 our request is designed to help the HECC appreciate the impacts of different investment levels and methods on your institution, we are not suggesting that the HECC will develop separate state budgets or line-items for each institution. We intend for the vast majority of state funding for community colleges and universities to continue to be allocated on the basis of formulas that the HECC will oversee starting July 1, 2014 (“FTE” and “RAM”). While we seek institution-specific context, information, and ideas, we have no intention of forwarding to the Governor and the Legislature a collection of separate, competing institutional requests.

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.

We appreciate that to answer the questions attached will require you to make assumptions about (a) a variety of external factors over which you may have little or no control; and (b) certain decisions that ultimately will be the purview of your governing board, not your 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.

While this exercise is aimed principally towards the HECC’s responsibility to develop a 2015-17 higher education budget request, it inevitably raises questions about how the HECC intends to allocate
whatever resources are appropriated by the Legislature. Our early thinking here is shaped by two principles about what may be different under an outcomes-based allocation methodology:

1. An improved resource allocation model should put more funding weight behind particular types of students who may be more costly to serve but represent our greatest opportunity for achieving 40-40-20;

2. An improved resource allocation model should put more funding weight behind particular types of degrees, certificates, or courses of study that produce especially high levels of return on investment for students and for the state.

As this conversation continues, we will appreciate your feedback about how these approaches could reinforce, or impede, your ability to advance the goals that we allude to in the questions attached.

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. In preparation for the guidance that we intend to provide to you in March or April for the development of capital requests, we would welcome your input about how the HECC should weigh priorities for state capital investment in (a) deferred maintenance; (b) facilities clearly linked to certificate and degree attainment; (c) facilities clearly linked to other goals such as research, economic development, and workforce; (d) facilities that most clearly leverage matching funds. You may have additional advice about how we should understand the intersection between state operational and capital funding.

We would like to receive your institution’s responses to these questions by March 31, 2014, 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.¹

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,

Tim Nesbitt
Chair, Higher Education
Coordinating Commission

Ben Cannon
Executive Director, Higher Education
Coordinating Commission

Cc: Interim Chancellor Melody Rose

¹ Unless you receive further guidance to the contrary, public universities listed in ORS 352.002 should expect that your responses to the questions attached to this letter will meet the requirements of Sections 8 and 169 of SB 270 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\(^2\) and the Community College Support Fund

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

1. What amount of state resources do you project your institution would require in 2015-17 in order to maintain similar levels of programs and learning outcomes for Oregon resident students as in the current biennium, assuming that tuition and enrollment (resident and non-resident) remain at their 2014-15 levels?\(^3\)

2. Please itemize the major cost drivers behind your answer in #1, indicating the approximate contribution in dollars that each makes to the total (eg general inflation, salary and benefit roll-ups, other contract obligations, deferred maintenance, new space, planned contributions to reserve funds).

B. To establish the benefits of additional investment:

3. To what level would you be able to bring your performance on the measures listed in the “completion” and “progress” (if applicable) sections of your achievement compact with an additional 5%, 10%, and 25% of state funding above the amount you identified in #1?

4. Please briefly describe the strategies you would employ to make the improvements in #3.

5. How do your answers to #1 and #3 change depending on whether you serve more students in any of the following categories: under-represented racial/ethnic, Pell-eligible, rural?

---

\(^2\)For public universities, the focus here is on the Public University Support Fund that has been historically distributed through the Resource Allocation as part of the following line items: enrollment-based and incentive funding, regional support & regional university funding, supplemental enrolment funding for graduate and undergraduate engineering, sponsored research and faculty salaries -- research, campus public service programs (excluding UO LERC and PSU Population Research Center), EOU rural access programs, health professions programs, PSU NEW Leadership Institute, OSU Vet Diagnostic Lab, OSU statewides building maintenance, IT Fifth Site, OCATE, SW Oregon University Center, OWEN, systemwide programs and expenses, and Chancellor’s Office expenses. A separate process will be used for all other traditional distributions to public universities, specifically the OSU statewide public service programs and the programs and institutes identified in the budget report for HB 5031 (2013), as well as funds that flow through Oregon Inc. and the Business Oregon Department and capital requests.

\(^3\)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.
Section 2: Development of Budget Requests for Funding that is not Formula-Driven

For 2015-17 budget requests that do not involve adjustments to formula-driven funding streams⁴, please provide the following information separately for each request to create, expand, or abolish programs⁵:

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 when the results will be measurable.

6. Indicate if the request requires or supports proposed statutory changes.

7. Describe any non-state funding streams that support 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 2015-17 biennium.

⁴ Formula-driven funding streams include the Public University Support Fund, the Community College Support Fund, the Oregon Opportunity Grant program, and OHSU education and general service funding.
⁵ Examples of existing programs that fall into this category include the Oregon State University statewide public service programs, programs and institutes included in the OUS Statewide Programs appropriation, CCWD workforce programs, OYCC, ASPIRE, the Child Development Rehabilitation Center, and the Oregon Poison Center. Proposals to increase, restructure, or reduce agency operations are also included here.