OUS – HECC Transition Brief: Allotment Schedules
(And Initial Discussion of Debt Service Payments)
April 4, 2014

**Topic:** Transfer of the responsibility from the OUS to the HECC for coordinating the public university allotment planning with the Department of Administrative Services (DAS)

**BACKGROUND**
DAS manages the “allotment” process – the schedule of cash transfers of the Legislatively Approved Budget (LAB) for General Fund appropriations. For state agencies, this is typically 49% of the biennial LAB in year-one of the biennium in four equal installments, and 51% in year-two, again, in four equal installments. OUS allotments have been an exception to the typical process in that it has received monthly installments and the operations portion has been “front-loaded,” i.e., a larger monthly amount in the early months of the fiscal year in recognition of the timing of tuition revenues (low in the initial months). Debt service is scheduled in alignment with projected debt payments. Sports Lottery is distributed quarterly. The Chancellor’s Office (CO) Budget Operations has historically worked with the Department of Administrative Services (DAS) annually on the General Fund allotment schedule. DAS distributes funds to the CO and CO then further distributes the cash to the seven universities based on Board-approved budgets for both General Fund and Sports Lottery. The schedule is adjusted if subsequent legislative actions or executive branch budget reductions result in changes to the appropriations. Due to the governance changes effective July 1, 2014, that will result in four legal entities instead of one (with the eventual possibility of up to seven entities if the remaining technical and regional universities are granted their own institutional governing boards), the HECC and DAS allotment coordination will involve scheduling for and distribution to four entities instead of one.

**TRANSITION PLAN**
DAS has hosted an initial meeting with CO and DAS personnel to discuss the needed changes in the allotment process and debt service payments. The following steps were agreed to for the 2014-15 fiscal year (recognizing that the process will need to be revisited for 2015-2017 based on legislative actions for that biennium):

- DAS will need to distribute General Fund and Lottery Funds to four entities: UO, OSU, PSU, and the Chancellor’s Office for the four technical and regional universities (TRUs). The only exception may be for debt service; see below.

- DAS will provide a list of information required from the institutions to make electronic transfers to the four entities. The institutions will provide this information by April 15th.

- HECC will make the final determination on how funds will be allocated to the seven universities in 2014-15, using a Resource Allocation Model (RAM) calculation as the base. The CO will prepare the RAM calculation and deliver it to HECC in June.
• To ensure adequate cash flow to the TRUs, the CO will prepare a proposed allotment for the first 2014 distribution based on recent history. The schedule will front-load the fiscal year to reflect lower tuition revenues in the summer months. The CO will deliver the calculation to DAS no later than the third week in May, so that it can be processed by DAS. DAS and the CO will then approach the HECC director with the recommendation that this amount be distributed as the first payment for the fiscal year, with any necessary adjustments to be made during the remainder of the year.

• DAS will shift from a monthly distribution to a quarterly distribution (in the first month of each quarter), continuing to front-load distributions in the summer to address university cash flow.

• Payments to DAS for Pension Obligation Bond debt will be made by two entities: the UO and Shared Services. Further discussion may be needed with one or more of the universities.

• Distribution of funds for debt service is unresolved and will require additional consultation with Treasurer’s Office. Discussion included:
  - Debt service on all Articles XI-G and XI-Q bonds and COPs sold prior to July 1, 2014, will be managed by Shared Services, with the possible exception of the UO. DAS will only need to make one or two distributions rather than four. Since the 2013-2015 Legislatively Approved Budget does not include debt service for any sales after July 1, 2014, this process will continue through the biennium.
  - DAS already makes debt service payments on Lottery Bonds, so no change in process is necessary.
  - Distribution of state funds for payment of SELP loans is unresolved, as those payments are made directly by the universities. Further discussion is necessary.
  - An agreement is being negotiated between the CO, Shared Services, and the universities and the Treasurer’s Office. One result of that agreement would be that DAS transfers all state funds for debt service to the Treasurer’s Office for payment.

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1 Certificates of Participation
2 State Energy Loan Program