Macro Comparison of Recommended Reductions
Comparison of Specific Program Reductions
Systemwide Expenses
Fee Remissions
Chancellor’s Office
Ending Balances/Operational Reserves
The Co-Chairs' budget identifies a 4.4% reduction in state agency funding

The Governor’s revised budget identifies a 2.7% reduction in state agency funding

The OUS budget represents 6.5% of the Co-Chairs’ budget

OUS reductions represent 14.4% of the total agency reductions identified in the Co-Chairs’ budget
Oregon University System
Macro Comparison

- The OUS budget represents 6.8% of the Governor’s revised budget
- OUS reductions represent 10.1% of the total agency reductions identified in the Governor’s revised budget
- The Co-Chairs' budget identifies an 11.4% reduction in OUS Education and General (E&G) funding
- The Governor’s revised budget identifies a 4.3% reduction in OUS E&G funding
## Oregon University System Comparison of Recommendations

### Selected Reductions

<table>
<thead>
<tr>
<th></th>
<th>Co-Chairs’</th>
<th>Governor’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrollment</td>
<td>14,172</td>
<td>3,893</td>
</tr>
<tr>
<td>Fee Remissions</td>
<td>$30m</td>
<td>$0</td>
</tr>
<tr>
<td>Instruction</td>
<td>$32m</td>
<td>$19.85m</td>
</tr>
<tr>
<td>Admin. Program</td>
<td>$8m</td>
<td>$2.42m</td>
</tr>
<tr>
<td>Statewide Pub. Svc:</td>
<td>$0</td>
<td>$7.18m</td>
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</table>
## Comparison of Proposed 2003-2005 Budget Reductions (Based on the 2003-2005 Governor's Balanced Budget)

<table>
<thead>
<tr>
<th></th>
<th>Co-Chairs' Proposed Reductions</th>
<th>Governor's Proposed Reductions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Enrollment Impact:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funded Enrollment (biennial)</td>
<td>104,079</td>
<td>114,358</td>
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<tr>
<td>Loss of Fundable Enrollment (biennial)</td>
<td>14,172</td>
<td>3,893</td>
</tr>
<tr>
<td><strong>Reduction Items:</strong></td>
<td>(in millions)</td>
<td></td>
</tr>
<tr>
<td>Student Financial Aid (fee remissions)</td>
<td>$30.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Undergraduate Instruction</td>
<td>22.20</td>
<td>8.59</td>
</tr>
<tr>
<td>Graduate Instruction</td>
<td>9.80</td>
<td>11.26</td>
</tr>
<tr>
<td>Campus Administration</td>
<td>4.78</td>
<td>0.00</td>
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<tr>
<td>Central Administration</td>
<td>3.22</td>
<td>2.42</td>
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<tr>
<td>Capital Construction</td>
<td>1.00</td>
<td>1.87</td>
</tr>
<tr>
<td>Engineering (ETIC/Top Tier)</td>
<td>0.90</td>
<td>0.00</td>
</tr>
<tr>
<td>Systemwide Expenses</td>
<td>0.72</td>
<td>2.16</td>
</tr>
<tr>
<td>Research</td>
<td>0.51</td>
<td>1.27</td>
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<tr>
<td>OCECS</td>
<td>0.47</td>
<td>0.00</td>
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<tr>
<td>Statewide Public Services Building Maintenance</td>
<td>0.30</td>
<td>0.63</td>
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<tr>
<td>Campus Public Service Programs</td>
<td>0.29</td>
<td>0.73</td>
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<tr>
<td>Community College Partnerships</td>
<td>0.28</td>
<td>0.28</td>
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<tr>
<td>Western Undergraduate Exchange (WUE)</td>
<td>0.27</td>
<td>0.27</td>
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<tr>
<td>Collaborative Academic Programs</td>
<td>0.23</td>
<td>0.23</td>
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<tr>
<td>Statewide Public Services</td>
<td>0.00</td>
<td>7.18</td>
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<tr>
<td>OSU Cascades Campus</td>
<td>0.00</td>
<td>0.34</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$74.97</strong></td>
<td><strong>$37.23</strong></td>
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</tbody>
</table>
Expenses supporting campus programs paid through the Chancellor’s Office

Reductions could range up to 15% or $2.15 million

40% of the program budgets cannot be reduced—burden falls to remaining 60%

Any choices will limit further resources available to the campuses
## OSU Systemwide Expenses

<table>
<thead>
<tr>
<th>Program</th>
<th>2001-2003</th>
<th>Legislature 10%</th>
<th>Governor 15%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificates of Participation</td>
<td>$1,766,864</td>
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<td></td>
</tr>
<tr>
<td>Department of Justice</td>
<td>1,600,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment Match</td>
<td>3,454,979</td>
<td></td>
<td></td>
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<tr>
<td>Faculty Diversity</td>
<td>697,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ORBIS (Library Consortium)</td>
<td>339,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oregon Jt. Business Programs</td>
<td>831,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OWEN (Statewide Network)</td>
<td>1,042,095</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IP Video Network</td>
<td>54,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Students-Disabilities</td>
<td>500,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SWOUC (Coos Bay Center)</td>
<td>344,364</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statewide Assessments</td>
<td>2,895,786</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WICHE (membership) Dues</td>
<td>202,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WICHE/PSEP</td>
<td>598,224</td>
<td></td>
<td></td>
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<tr>
<td><strong>Total:</strong></td>
<td><strong>$14,325,312</strong></td>
<td><strong>$1,432,500</strong></td>
<td><strong>$2,148,000</strong></td>
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</tbody>
</table>

**Target:**

- **COPs:** Mandatory debt service
- **DOJ:** Depends on campus usage/PSU having own attorney
- **Endowment Match:** Depends on legal requirements
- **Faculty Diversity:** Board approved no reduction for 2003-2005
- **Oregon Jt. Business Programs:** Transition program support to campuses--support through cells
- **OWEN:** System share of statewide network
- **Statewide Assessments:** Dependent on DAS charge-backs
- **WICHE/PSEP:** Reduce participation
Implication of Co-Chairs’ Proposed Reduction

- The Ways and Means Co-Chairs’ recommendations propose elimination of $30 million of fee remissions, earmarked as multi-year awards
- The reduction of fee remissions directly reduces financial aid to students
- The elimination of $30 million of fee remissions is intended to increase net available tuition income and is linked directly to a $30 million reduction in state General Fund
$58.8 million—total of Programmatic Fee Remissions budgeted in the Governor’s balanced budget (prior to April 18, 2003)

On average, 76% of all fee remissions are made with multi-year commitments

- These include Educational Diversity Initiative, International Programs, etc., that are focused on enrollment management for diversity and merit criteria
- The multi-year commitment is generally for five years if the student maintains eligibility requirements
Oregon University System
Fee Remissions

- The remaining 24% is awarded annually on a need-basis
- Student must re-qualify annually on basis of “need”
- Few students receiving Programmatic Fee Remissions have their entire tuition offset by remissions and other financial aid, and continue to pay a portion of their tuition
- Of Programmatic Fee Remission allocations for 2003-04, approximately 95%-plus have been committed as of April 15, 2003
Oregon University System
Fee Remissions

- Reducing only multi-year awards would require rescinding approximately $30 million of awards already committed for the 2003-2005 biennium
  - This would require rescinding 78.5% of all multi-year awards already committed to students
  - This would impact almost 5,000 students currently expecting to have their fee remission commitment continued
Oregon University System
Fee Remissions

- Withdrawing fee remissions already awarded to students would have multiple impacts
  - There would be legal liability due to financial commitments made to students and families
  - Many of these students would likely withdraw from OUS institutions with long-lasting negative attitudes toward the institutions and OUS
  - The loss of these students would result in a loss of tuition income
Oregon University System
Chancellor’s Office

- Planning on a 10% to 15% reduction for 2003-2005/cumulative reduction ranging from 23% to 28% since FY 2002

- Assessing programs and services to reposition the Chancellor’s Office in a manner that maximizes remaining services and is cost effective

- Seeking input from the universities to help shape services provided

- The realignment will necessitate personnel actions to optimize program delivery and adjust to reduced funding
The legislature has requested additional input on agency ending balances.

The intent would seem to be to identify “reserves” that appear to exceed appropriate levels and might be available for other purposes.

OUS is developing responses to numerous questions to ensure an understanding of the difference between cash flow requirements, expenditure commitments, restricted funds, and available-nonrestricted funding.
Oregon University System
Ending Balances/Operational Reserves

- **Other Funds Limited**
  - E&G–state General Fund and tuition/fee
  - AES, ES, FRL–statewides

- **Other Funds Nonlimited**
  - Debt service–mandatory
  - E&G–grants and contracts
  - Auxiliaries–student funded/self supporting
  - Student aid–federal aid
  - AES, ES, FRL
Oregon University System
Ending Balances/Operational Reserves

- Ending balance is the estimated amount of funds accumulated as of June 30, 2005
- Funding balance does not reflect funds available for reduction or reallocation
- Specific ending balances include limited operational reserves to address financial problems
- Other funds limited and auxiliaries should maintain reserves based on a percentage of annual operating need and/or a number of months of funding to support continued operations
Discussion:

Connection of Tuition Increases and Enrollments
Responding to the Board question: “How would enrollments be altered by reduced tuition rates?”

Enrollments can vary based on a number of factors including:
- Cost of attendance (including tuition)
- Availability of financial aid
- State funding support
- Perception of university quality
- Admissions selectivity
- Program availability
Oregon University System
RAM and Enrollments

- RAM is predicated on access based on state funding support indexed to peer costs
- Tuition is not a factor that directly influences state funding through the RAM
- Tuition is an equal partner to state resources in providing instructional programs
- There is no parallel RAM for tuition funds that drives funds based on peer rates
Oregon University System
Tuition Rates and Enrollment

- Challenge—connect state and tuition funding in an approach similar to the RAM

- Create an index that incorporates enrollments, QFI, tuition rates, tuition/state share, and other factors in a manner that provides alternative outcomes based on the interaction of all variable(s)

- As an example, we can use the values supported by the Board in response to the Governor’s original recommendations
Oregon University System
Tuition Rates and Enrollment

- **Baseline**
  - Governor’s Recommended Budget—$649 million
  - QFI—72%
  - Tuition Rates (Approved by Board)
  - State/Student Share—55% / 45%
  - Enrollments—118,211

- Represents modest/realistic position prior to Governor’s/Co-Chairs’ recommendations

- Does not represent attainment of peer median in state funding
How would enrollments be affected by reducing tuition rates?

Assuming 10% reduction in resident tuition rates
- **Enrollment loss: 6,000**

Assuming 15% reduction in resident tuition rates
- **Enrollment loss: 9,000**

Will vary based on choices made on QFI, state/support share, nonresident tuition, and other factors
Oregon University System
Tuition Rates and Enrollment

- Six factors mentioned earlier may affect enrollment levels
- The shifting of emphasis to student/tuition support from state-peer based commitments necessitates developing stronger linkages between the two funding sources
- A single “index” encompassing General Fund and tuition/fees is the next possible phase as the model evolves