

The State of Oregon appropriates General Fund (taxpayer dollars) and Lottery Funds to the seven public universities, mostly on a biennial basis, through the Higher Education Coordinating Commission (HECC). Funding for operations is appropriated in several categories (see table). HECC makes quarterly distributions of operational funding, with most categories allocated 49% in year one of the biennium and 51% in year 2. Capital funding usually comes through authorization of state-paid debt for specific capital projects, although direct cash appropriations are possible for small, low-cost projects.

2017-19 Biennial State Funding for Operations (in millions)			
Appropriation Category	Public Universities		OSU's share
Public University Support Fund	\$ 736.9	\$ 236.6	32.1%
State Programs (plus one-time/targeted)	\$ 44.6	\$ 25.0	56.0%
Statewide Public Services:			
Agricultural Experiment Station	\$ 66.1	\$ 66.1	100.0%
Extension Service	\$ 47.7	\$ 47.7	100.0%
Outdoor School	\$ 24.0	\$ 24.0	100.0%
Forest Research Laboratory	\$ 10.2	\$ 10.2	100.0%
Subtotal	\$ 929.6	\$ 409.6	44.1%
Sports Lottery	\$ 8.2	\$ 1.0	12.5%
State Energy Loan Program (SELP)	\$ 13.1	\$ 2.1	16.3%
Total	\$ 951.0	\$ 412.8	43.4%
Distribution by fiscal year:			
FY 2017-18		\$ 199.7	48.4%
FY 2018-19		\$ 213.0	51.6%
		\$ 412.8	100.0%
Total State Appropriations (GF + LF)			
for All Programs/State Agencies	\$ 23,810.1		
Public Universities share	4.0%		
With debt service, capital appropriations	5.3%		

Operating Funding

The table to the left shows the operating allocations to OSU for the 2017-19 biennium as well as total state allocations to all the universities. The **Public University Support Fund (PUSF)** is the largest allocation and is distributed to universities by formula, using the Student Success and Completion Model (SSCM). SSCM measures include credit hours taught, degrees awarded, and mission-specific activities.

Public university state programs are line item allocations for specific activities of interest to the state. Examples include the Institute for Natural Resources and the Oregon Climate Change Research Institute. The funding for these is recurring, but subject to review every legislative session. Sometimes there are one-time funds targeted for specific projects of interest to the legislature. These can range from crops to salmon to ocean acidification.

The Agriculture Experiment Station, Extension Service, and the Forest Research Laboratory constitute the **Statewide Public Services** – central to OSU’s land-grant mission. Each receive the largest part of their operating funds through this state appropriation (which also constitutes matching dollars for federal funds). In 2017-18, the Extension Service began administering Oregon’s Outdoor School program (funded by Lottery) for fifth and sixth graders.

At OSU, the state program funds, one-time funds, and Statewide Public Service funds are passed through to those particular units. PUSF funding, tuition and fees, indirect cost recovery, investment income, and other miscellaneous revenues make up the Educational and General (E&G) resources that are distributed across the university via the Shared Responsibility Budget Model.

Sports Lottery dollars are directed 88% to Athletics, used primarily for grants to student athletes, and 12% to the Graduate School for graduate scholarships. Additional state support helps repay loans for energy efficiency projects that were financed by the **Small-Scale Energy Loan Program (SELP)**.

Trends in State Operating Support

For several decades, resources for E&G operations have been shifting – generally moving from primarily state supported to primarily student supported. For FY19, state appropriations covered 23% of OSU E&G operations. The state share varies across the public universities, from 13.6% to 47.4%. State funding for higher education declined significantly during the recession in Oregon as in many other states. The PUSF did receive a large increase in 2015-17 and more recently an additional \$100 million in 2019-21. However, certain cost increases (such as retirement rates) are outside of university control.

Capital Funding and Process

OSU has an internal process to identify high priority capital projects through an Infrastructure Working Group that helps develop a ten-year capital forecast. When a capital project approved by the Board of Trustees includes a request for state-paid debt support, it goes into the state budget process.

Universities submit project proposals to the HECC. Projects are scored by the HECC using a rubric that looks at:

- Alignment with HECC priorities (including easing capacity constraints, supporting student completion, supporting research and economic development, and collaboration between institutions)
- Cost Savings (much of this is deferred maintenance issues)
- Life, Safety and Code compliance (a lot of this addressed deferred maintenance too)
- Institutional priority
- Impact of project on student success
- Leveraging dollars (use of gifts, institution funds, other to match state support)
- Strategic priorities of the state

Capital Authorizations for State-Paid Debt (in millions)						
Biennium	University Projects	Capital Improvement & Renewal	System Projects	Total	OSU Share of Projects	
2007-09	\$ 188.0	\$ 50.0	\$ -	\$ 238.0	\$ 48.6	25.9%
2009-11	\$ 155.0	\$ 51.4	\$ 54.0	\$ 260.4	\$ 40.5	26.1%
2011-13	\$ 87.5	\$ 25.0	\$ -	\$ 112.5	\$ 26.1	29.8%
2013-15	\$ 210.9	\$ 30.0	\$ (4.0)	\$ 236.9	\$ 72.4	34.3%
2015-17	\$ 186.1	\$ 65.8	\$ -	\$ 251.9	\$ 55.3	29.7%
2017-19	\$ 288.1	\$ 50.6	\$ -	\$ 338.7	\$ 87.9	30.5%
6-Biennia Total	\$ 1,115.6	\$ 272.8	\$ 50.0	\$ 1,438.4	\$ 330.8	29.7%
2019-21 > Authorization decisions posted from 2019 full session to 2020 short session						
					\$ 259.7	Corvallis
					\$ 71.1	Cascades
					<u>\$ 330.8</u>	

Based on the scoring, the HECC submits a prioritized list of projects from all institutions to the Governor. The Governor’s budget includes recommendations to the legislature for which projects to fund.

The Legislature gets an assessment of the state’s borrowing capacity from Treasury and decides how to allocate the capacity to specific projects. It is not uncommon for the universities’ requests to total 80% to over 100% of the available capacity. Not surprisingly, we don’t get all we ask for. The Legislature has the final determination of which projects receive authorization of state-paid debt.

Overall State Funding Process and Timelines

In even-numbered years, the seven public universities collaborate to develop a Consolidated Funding Request (CFR) for the next biennium. Most of the effort focuses on the PUSF. The CFR is submitted to the HECC for incorporation into the HECC’s Agency Request Budget (ARB) to the governor. The governor submits to the legislature (in December for a continuing governor or February for a newly elected one) the Governor’s Recommended Budget (GRB) for consideration during the full session (odd-numbered years). The legislature final funding actions produce the Legislatively Adopted Budget (LAB). Any additional budgetary actions taken during the subsequent short session (even numbered years) result in the Legislatively Approved Budget, which becomes the starting point for the next state budget cycle.

STATE FUNDING CYCLE																				
[2019]			Even-Numbered Year [2020]								Odd-Numbered Year [2021]						End of Next Biennium [Spring 2023]			
Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Public Universities develop operating and capital requests; submit CFR to HECC																				
DAS issues instructions, calculates CSL																				
HECC evaluates requests, prioritizes capital; submits ARB to DAS by 8/31																				
										Governor reviews requests, issues GRB by 12/1										
										Public Universities’ legislative advocacy										
										Legislature finalizes 2021-23 LAB by 6/30										
										Treasury issues bonds										

Major factors that drive the budget numbers include the state economy and related revenue forecasts, administrative and legislative understanding of/support for higher education, and relationships. Universities work to facilitate the funding of their highest priority projects with legislators, stakeholders, and the other universities. Maintaining collaborative relationships are key and can be challenging in an environment of limited resources.

State Funding Cycle																														
Odd-Numbered Year [2019]						Even-Numbered Year [2020]												Odd-Numbered Year [2021]						End of Next Biennium						
Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun							
Public Universities develop and submit operating and capital requests to HECC						DAS issues budget instructions, calculates CSL						HECC evaluates and prioritizes capital projects; develops ARB and submits to DAS by 8/31						Governor reviews requests, develops recommendations, issues GRB by 12/1 (or 2/1)						<u>2021 Legislative Session</u> Public Universities engage in legislative advocacy						Treasury issues bonds for projects approved in 2021 - Spring 2023