

University Budget Conversations – April 12, 2018
**State Funding for OSU and the
 State’s Student Success and Completion Model**



The state provides two major types of funding to OSU—operating funds (which are part of the Education and General operations for OSU) and capital funding, usually as state-paid long-term debt.

Operating Funding

FY18 OSU State Appropriations	
Category	Amount
Public University Support Fund	\$ 114,798,771
Public University State Programs	\$ 10,218,910
Targeted and One-time Appropriations	\$ 602,700
Agricultural Experiment Station	\$ 32,383,541
OSU Extension Service	\$ 23,381,528
Outdoor Schools Program	\$ 11,760,000
Forest Research Laboratory	\$ 5,009,779
Subtotal	\$ 198,155,229
Sports Lottery	\$ 515,000
State Energy Loan Program (SELP)	\$ 1,072,584
Total	\$ 199,742,813

The table to the left shows the operating allocations to OSU for 2017-2018. The Public University Support Fund is the largest allocation and is distributed to universities by the Student Success and Completion Model (SSCM)—more on this below.

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 for specific projects of interest to the state

legislature. These can range from crops to salmon to ocean acidification. The three parts of the Statewide Public Services (Agriculture Experiment Station, Forest Research Laboratory, and OSU Extension Service) receive the largest portion of their operating funds through this state appropriation. The OSU Extension Service also manages the funds for Oregon’s Outdoor School program, a new initiative that began in 2016-17. The state program funds, one-time funds, and Statewide Public Service funds are passed through to the particular units. There are also small allocations from the Sports Lottery (to Athletics and the Graduate School) and a loan program for energy efficiency projects (SELP).

The largest part of the operating allocation is the Public University Support Fund (PUSF) which is divided between the seven public universities through the SSCM. The SSCM has three components:

- **Mission Differentiation Funding** supports aspects of the work each public university does that are unique to its location or mission. It includes allocations based on regional criteria (OSU-Cascades gets some of this funding, but not as much as the other regional public universities), research (OSU-Corvallis is allocated some of these funds), public service missions and activities (work of the Veterinary Diagnostic Lab), and support for facilities used by the Statewide Public Services. This funding is 18% of the PUSF.
- **Activity-Based Funding** distributes resources based on student credit hour (SCH) completions of Oregon resident students. The model counts credit hours by lower-division, upper-division, graduate, and professional courses and weights the credit hours by both level of study (lower-division vs graduate for example) and by discipline (engineering, English, etc.). 33% of the PUSF is

allocated by the weighted credit hour activity. Each institution is allocated a share of the funds in proportion to their weighted credit hours.

- Completion Funding** rewards degree and certificate completions by Oregon resident students. Also, these are counted and weighted by discipline and level. Completions by under-represented students (under-represented minority, low-income, rural and veteran status) and those in academic disciplines in high-demand and high-reward fields (STEM, Health, Bilingual Education) are provided additional weighting in the allocation formula. 49% of the PUSF (60% of the non-mission differentiation funding) is allocated this way. Each institution receives a share of the available funds in proportion to their weighted degree production.

The model uses three-year averages (FY2019 is based on FY2018, FY2017 and FY2016). The initial allocations estimate the current year (so FY2019 allocations estimate actual values for FY2018) and there is a settle up in fall term for the actual credit hours and degrees awarded in the prior year.

The operating budget is set in regular legislative sessions (odd years) for the next biennium. In the first year of the biennium, 49% of the allocated funding is distributed with the remaining 51% distributed in the second year. There are not usually large changes in short legislative sessions (even years) unless there is a sudden economic downturn.

Capital Funding

Capital funding is based on specific project requests (ranked by the universities, the Higher Education Coordinating Commission, and the Governor’s recommended budget) and the amount of additional debt capacity available. The table at the right shows the projects funded in the 2017 legislative session. Many of these projects include other funding (gift funds, OSU revenue bonds, or university funds). The state uses different kinds of debt (defined in the

FY18 OSU State Capital Funding		
Category	Amount	Type
Quality Foods and Beverages Center	\$ 9,100,000	XI-G
Cascades Expansion-Site Reclamation	\$ 9,145,000	XI-Q
Cordely Hall Renovation, Phase 1	\$ 15,250,000	XI-Q
Fairbanks Hall Renovation	\$ 11,220,000	XI-Q
Gilkey Hall Renovation	\$ 3,095,000	XI-Q and XI-G
Total	\$ 47,810,000	

Oregon Constitution) that come with different requirements. XI-G debt requires a match from institution funds (gifts or institution funds), while XI-Q debt does not. The state pays the debt service on both types. When OSU was part of the Oregon University System, the university would also use XI-F debt that was paid back by revenues from the project (like student housing). Now, OSU uses revenue bonds issued to the university instead but is still paying back debt on XI-F bonds issued in previous years.

One of the complexities of debt funding from the state is timing. The bonds above were approved in June 2017. However, the sale of the bonds is not until the spring of the second year of the biennium (in this case spring 2019) so the dollars are not available for nearly two years. If a project needs to proceed before that OSU has to front some of the funding or borrow it from another source until the state bonds sale. This can be an important part of a planning a project that uses state-financed debt as borrowing those “up-front” funds usually come with additional interest costs.