

## University Budget Conversations – February 16, 2023

### State Funding Process and Timelines



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.

FY23 State Appropriations		
Category	OSU	OPU Total (HECC)
Public University Support Fund <i>(after fall 2022 SSCM true up)</i>	\$ 147,324,333	\$ 459,000,000
Public University State Programs	\$ 13,799,638	\$ 24,888,944
Targeted and One-time Appropriations	\$ 2,113,362	\$ 33,534,062
Agricultural Experiment Station	\$ 41,069,873	\$ 41,069,873
AES one-time	\$ 76,500	\$ 76,500
SWPS facilities support (transferred from PUSF to AES)	\$ 2,220,456	\$ 2,220,456
OSU Extension Service	\$ 30,239,890	\$ 30,239,890
ES one-time	\$ 1,637,500	\$ 1,637,500
Outdoor School	\$ 24,709,364	\$ 24,709,364
Forest Research Laboratory	\$ 6,168,695	\$ 6,168,695
<b>Subtotal</b>	<b>\$ 269,359,611</b>	<b>\$ 623,545,284</b>
Sports Lottery	\$ 603,200	\$ 8,257,304
State Energy Loan Program (SELP)	\$ 1,053,732	\$ 6,629,853
<b>Total</b>	<b>\$ 271,016,543</b>	<b>\$ 638,432,441</b>

#### Operating Funding

The table to the left shows the operating allocations to OSU for 2022-23 as well as totals for the state allocations to all the universities. The Public University Support Fund (PUSF) is the largest allocation and is distributed to universities by the Student Success and Completion Model (SSCM) using measures that include credit hours taught, degrees awarded, and mission-specific activities.

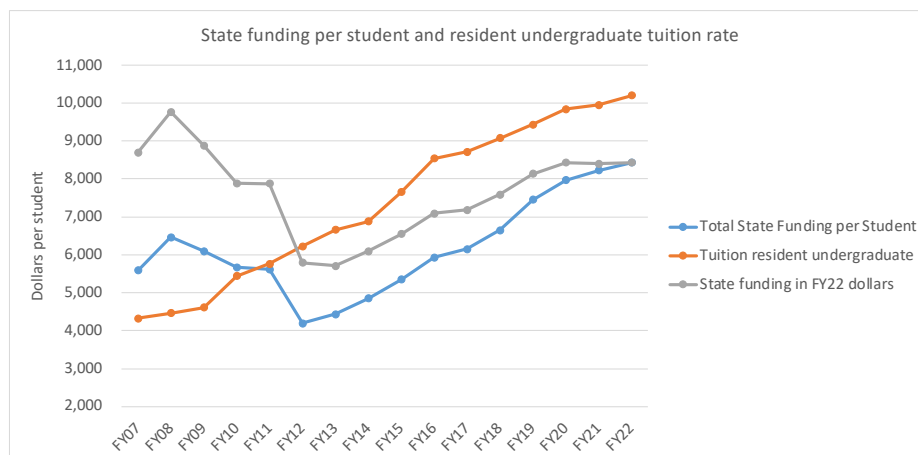
Public university state programs are line item allocations for specific activities of interest to the state. Examples include the Institute for Natural Resources and the Oregon Climate Change Research Institute. The funding for these is recurring but subject to review every legislative session. Sometimes there are one-time funds for specific projects of interest to the 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 Extension Service) each receive the largest part of their operating funds through individual state appropriations. Extension Service also oversees Oregon's Outdoor School program, a lottery-funded initiative that began in 2017-18. The state program funds, one-time funds, and Statewide Public Service funds are passed through to those 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 operating budget is set in full sessions (odd years) for the next biennium, but the process starts well before that. 49% of the allocated funding is distributed in the first year of the biennium and 51% in the second year. Typically, large changes are not made in short legislative sessions (even years) unless there is a sudden economic downturn or, as in the 2022 session, significant increases to state and federal resources.

#### Trends

State funding for higher education declined significantly during the recession in Oregon as in many other states. The graph shows distributable (meaning with earmarked funds like state programs or statewide public services taken out)



state funding per resident student in blue. The steep declines through the recession are evident. The orange line shows annual resident undergraduate tuition (before tuition waivers or other financial aid -- the so-called list price). The grey lines show FY03 state funding adjusted for local inflation (meaning the aggregate of actual rate increases for salaries, retirement and health benefits set by the state, and CPI inflation on goods and services). The slope of the grey line is an indication of the actual rate of cost

increases. Tuition rose more rapidly than the cost increase rate from FY10 through FY16, then has followed the trend of inflation.

### **Capital Funding**

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

- A submission of the project to the HECC. HECC staff scores projects using a rubric that looks at:
  - Alignment with the HECC Strategic Capital Development Plan
  - Operational savings and sustainability
  - Life safety, security, code compliance, and/or loss of use
  - Institutional priority
  - Student success for underserved populations
  - Leveraging institutional dollars (use of gifts, institution funds, other)
- Based on the scoring, the HECC recommends a set of ranked projects from all institutions to the Governor. The Governor's budget usually includes recommendations for which projects to fund.
- The Legislature gets an assessment of the state's borrowing capacity from the Treasury and decides how to allocate the capacity. The universities do not get all that we request.
- Universities work to facilitate the funding of their highest-priority projects with legislators and stakeholders. The universities jointly advocate for Capital Improvement and Renewal (CIR) funding that the HECC allocates for deferred maintenance projects using a formula based on E&G square footage and a weighted density factor.

### **Timelines**

The seven public universities work together to develop an operating budget request to HECC, as well as individual capital requests. Key timelines in legislative funding over a biennial cycle include (using the current cycle as an example):

June 2021	Legislature adjourns with funding approved for 2021-23 biennium.
Fall 2021	Universities begin working together to develop a 2023-25 Consolidated Funding Request (CFR) for operational funding to the HECC.
April 2022	Universities jointly submit the 2023-25 CFR and individually submit capital requests to the HECC.
May-Aug 2022	Universities present their requests at the HECC meeting. HECC staff develop an Agency Request Budget (ARB) for all post-secondary education for Commission consideration and approval. The HECC submits the approved ARB to the Governor by the end of August.
February 2023	New Governor submits Governor's Recommended Budget (GRB) to the legislature (continuing governors would submit in the prior December).
February 2023	Legislative session commences. Universities jointly and individually advocate during the session.
June 2023	Legislature adjourns with funding approved for the 2023-25 biennium.

**State Funding Alphabet Soup****Who...**

- DAS [Department of Administrative Services](#) – the state agency that administers the current service level calculation for the public universities and community colleges, with a specific analyst assigned to post-secondary education/HECC
- HECC [Higher Education Coordinating Commission](#) – the state agency that coordinates the distribution of state appropriations to post-secondary education, develops and maintains the formula for distributing the Public University Support Fund, approves tuition and fee rates for resident undergraduate students when proposed annual increases exceed 5%, as well as other functions
- LAC Legislative Advisory Council – the gathering of government relations staff from the seven public universities and OHSU to coordinate legislative advocacy including the state funding request
- LFO [Legislative Fiscal Office](#) – staff that support the legislature on fiscal matters, with a specific analyst assigned to post-secondary education/HECC
- OEА [Office of Economic Analysis](#) – produces quarterly revenue and economic forecasts that impact legislative appropriations as well as lottery fund distributions
- OCOP [Oregon Council of Presidents](#) – a voluntary association of the OPU presidents, with a staff of three (executive director, budget and research director, and administrative assistant)
- OPU Oregon Public Universities – comprised of Eastern Oregon University, Oregon Tech, Oregon State University, Portland State University, Southern Oregon University, University of Oregon, and Western Oregon University
- SDPAC [State Debt Policy Advisory Commission](#) – determines the state’s bonding capacity which impacts universities’ requests for authorization to use state bonds for capital projects

**What...**

- ARB Agency Request Budget – the budget developed by the Higher Education Coordinating Commission comprised of requests for public universities, community colleges, OHSU, workforce development, as well as its own operations
- CFR Consolidated Funding Request – request developed by the public universities for the upcoming biennial legislative session and subsequently submitted to the Higher Education Coordinating Commission
- CSL Current Service Level – formulaic approach to what it would cost to continue current services in the next biennium
- GRB [Governor’s Recommended Budget](#) – the budget released by the Governor (in December of even years for continuing governor and by February for an incoming governor) that set forth budgetary priorities
- LAB Legislatively Adopted Budget – the final appropriations as the end of a long (odd-year) session that must balance to the state’s May economic forecast
- LAB Legislatively Approved Budget – the final budget for a biennium, comprised of the adopted budget plus any changes made by the Emergency Board or in the short (even-year) session (and which becomes the starting point in budget development for the next biennium)
- OLIS [Oregon Legislative Information System](#) – online access to legislative hearings and bills under development
- PUSF Public University Support Fund – the state’s primary appropriation for general operations and student support
- SSCM Student Success and Completion Model – the formula approved by the HECC to allocate the distribution of the PUSF to the public universities