

**TO:** TIM NESBITT, CHAIR, HECC  
BEN CANNON, EXECUTIVE DIRECTOR, HECC

**FROM:** BRIAN FOX, DIRECTOR, HECC - UNIVERSITY BUDGET AND FINANCE

**SUBJECT:** BACKGROUND ON STUDENT SUCCESS AND COMPLETION FUNDING MODEL

**DATE:** MARCH 30, 2015

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### **Background and Overview**

The following memo outline the Student Success and Completion Model (SSCM) which, when enacted, will distribute the Public University Support Fund (PUSF) to the seven public universities and include Mission Differentiation funding as well as distributions based in part on completion of student credit hours by resident students and in part on degree and certificate completions. The HECC is required by ORS 351.735(3)(d) to:

“Adopt rules governing the distribution of appropriations from the Legislative Assembly to community colleges, public universities listed in ORS 352.002 and student access programs. These rules must be based on allocation formulas developed in consultation with the state’s community colleges and public universities, as appropriate.”

Executive Director Cannon created the Outcomes-Based Funding Technical Workgroup in June 2014 after meeting with the seven university presidents. This workgroup was charged with developing an allocation model that will:

- Reflect the principles and priorities embedded in the strategic plan of the HECC and the OEIB Equity Lens;
- Focus on student access and success by supporting institutions to enroll, retain, and graduate Oregon resident students with a particular emphasis on underrepresented populations whose increased success is necessary to reach Oregon’s attainment goals;
- Encourage completion of high demand and high reward degrees key to Oregon’s economic future;
- Recognize and reward differentiation in institutional mission and scope;
- Use data that is clearly defined and currently available;
- Maintain clarity and simplicity;
- Be phased-in to ensure stability through transition, starting with the 2015-17 biennium.

The Workgroup concluded its efforts on February 27, 2015 having accomplished this task. The HECC issued proposed OARs 715-013-0025 and 715-013-0040 that, when taken in conjunction with each other, operationalize the SSCM for implementation beginning in Fiscal Year 2016.

### **Timeline to Implementation**

The following table provides dates of previous and forthcoming actions required for adoption of administrative rules and allows for allocation of the Public University Support Fund through the Student Success and Completion Model. Items in italics reflect anticipated actions by the Commission.

Date	Action
Jan. 15, 2015	OAR 715-013-0025 filed with SOS (SSCM structure)
Feb. 12, 2015	HECC unanimously recommends weighting factors for SSCM
Feb. 15, 2015	OAR 715-013-0040 filed with SOS (SSCM Weighting factors)
Feb. 17, 2015	OAR 715-013-0025 Public Hearing
Feb. 27, 2015	Outcomes-Based Funding Technical Workgroup finalizes SSCM
Mar. 16, 2015	OAR 715-013-0040 Public Hearing
Mar. 27, 2015	OAR 715-013-0025 and -0040 public comment period ends
<b><i>Apr. 2, 2015</i></b>	<i>HECC Funding &amp; Achievement Subcommittee recommendation</i>
<i>Apr. 9, 2015</i>	<i>HECC Action on OAR adoption</i>
Jun./Jul. 2015	Legislature adopts 2015-17 University Support Fund allocation
Jun./Jul. 2015	HECC votes on FY 2016 university allocation

### **Student Success and Completion Model Overview**

The SSCM divides the PUSF into three parts for allocation purposes: Mission Differentiation, Activity-Based (student credit hour or SCH), and Completion funding. The SSCM serves as an evolutionary change to the current Resource Allocation Model (RAM), which distributes state resources based purely on Mission Differentiation and cost-weighted enrollment and has been in effect since 1999. These components are included, largely unaltered within the SSCM, with the addition of funding designed to incentivize and reward institutional focus on support and completion of resident students, particularly those that have been historically under-served and those graduating in high-demand and high-reward fields. Each component within the SSCM is discussed in more detail below.

### **Mission Differentiation Allocation**

The Mission Differentiation Allocation tranche consists of PUSF resources reserved for specific purposes. Each line item within this allocation is assigned to one of three general categories: Regional Support, Research Support, and Mission Support.

Regional Support allocations provide resources for the higher cost missions of the four technical and regional universities (TRUs), which serve unique and critical public purposes. Regional support promotes access to higher education, provides support for those regional institutions whose size does not allow them to capture economies of scale, and funds retention and graduation-focused efforts. This allocation will house resources dedicated to funding TRU Shared Services after Fiscal Year 2016.

Research Support allocations provide resources for key economic development and innovation needs of the state. Specifically, the research allocation supports sponsored research activities and provides faculty salary support to promote research activities. These funds flow to all institutions, though are primarily focused at the three research universities.

Mission Support allocations provide funding for non-instructional activities that are consistent with the broad purpose of a public university yet are difficult or impractical to account for in outcomes metrics. For example programs such as NEW Leadership Oregon or the Oregon Biodiversity Research Center, both at Portland State University which are assets to the state as a whole, but could not be reasonably captured within a formula driven allocation system.

Three professional programs -- law, pharmacy, and veterinary medicine -- receive supplemental support beyond regular credit-hour and outcomes allocations. The SSCM focuses on the stability of these programs by directing state resources through Mission Support funding. Students in professional programs that complete credit hours of instruction and/or earn degrees will continue to earn SCH and/or completion allocations at the same rate as closely related non-professional disciplines. Funding in this category is also provided for several medical programs at Oregon Tech whose terminal degree is less than a bachelor's.

Supplemental support for Dual Credit Student Credit Hours is included within the Mission Differentiation Allocation. Support for Dual Credit SCH was determined by the workgroup to be vital for continued collaboration between universities and local school districts to ease and accelerate the transition of students between high school and college level coursework.

Base operational support will include an allocation to the TRU institutions at levels indicated in the letter signed by the seven public university presidents to the HECC dated February 23, 2015, and HECC's subsequent response as submitted to House Committee on Higher Education, Innovation and Workforce Development on March 3, 2015. These funds will be allocated separately from the allocation model for the first year of implementation and folded into Regional Support thereafter.

Funding in the Mission Differentiation Allocation that is not driven by components of the SSCM will increase at the lesser of the prior full year Portland CPI or the year-over-year change in total funding of the PUSF.

### **Activity-Based Allocation**

Inclusion of an Activity-Based component in the SSCM recognizes the ongoing significance of course completion by students and provides an opportunity to smooth the transition to an allocation system that emphasizes successful outcomes for resident students as reflected in degree and certificate completion. Activity-Based component largely reflect the current Resource Allocation Model (RAM) methodology. Computation of the SCH allocation involves two factors: the three-year average of SCH generation by course type at an institution and a cost-of-instruction weighting factor. These factors dampen funding volatility and support high cost programs.

An index is created of an institution's total SCH output by considering the number of completed SCHs and the cost-of-instruction factor for the associated SCH level and type. This is compared to the same index for all institutions and a proportional allocation from the SCH allocation pool is assigned to each institution. This is similar to the legacy Resource Allocation Model (RAM) in place under the Oregon University System.

### **Completion Focused Allocation**

Degree completions at all academic levels are funded in this section of the SSCM. Similar to SCH, each degree represents a unique share of the completion focused allocation determined by the relative cost-of-instruction and degree duration. Degrees and certificates awarded to community college transfer students are discounted relative to non-community college transfer students to normalize the incentive for enrolling and supporting all students.

Two additional factors are involved to support access and equity as well as priority degree types. Degrees in high demand high-reward disciplines (STEM, Health, and Bilingual Education) are assigned additional weighting. Similarly, degree completions by students who represent one or more traditionally underserved

student populations (Veteran, low-income (Pell grant recipient), rural, or under-represented minority students) are assigned additional weighting within the SSCM. Institutions which are successful in supporting traditionally underserved students and students in targeted programs are awarded additional resources. Using a three-year average of degree completions, the model calculates the total relative value of all degrees awarded by each of the institutions. These values drive the proportional distribution of the completion-focused allocation within the SSCM.

### **Academic Quality**

Academic quality is of foremost importance to the HECC. Meaningful degree or certificate completions must be a prerequisite for Oregon's ambitious 40-40-20 plan to deliver its promise for Oregon students. The HECC is focused on ensuring the high level of academic quality and rigor currently signified by graduation at Oregon's public universities is maintained and enhanced. The Outcomes-Based Funding Technical Workgroup has worked with Dr. Jeff Dense, President of the Interinstitutional Faculty Senate (IFS), on a statement of academic quality which has been endorsed by IFS and the Provost's Council. The HECC, acting under its authority to evaluate institutions with institutional boards, will include a robust set of qualitative and quantitative measures of academic quality, including metrics focusing on process, capacity, externally validated measures and long-term outcomes. The development of this assessment is ongoing with expected conclusion in summer, 2015.

### **Transition Tools**

Included in the mechanics of the model are both a Stop-Gain and a Stop-Loss function designed to smooth year-to-year allocation differences for institutions. The Stop-Loss and Stop-Gain may be used during the transition period to mitigate positive and/or negative shocks to institutions that would experience large year-to-year swings in allocations if the model were fully implemented in FY16. The HECC is committed to ensuring that all institutions, during a cycle of re-investment in higher education, see a real increase in state funding.

The Stop-Loss, which can either be a positive or negative percentage, provides assurance that an institution will not experience a dramatic decrease in allocation compared to the prior year. If the Stop-Loss is triggered, all institutions that receive an allocation change that exceeds the Stop-Loss threshold contribute a proportional amount of allocation to those institutions whose allocation fell below the threshold. Only the allocation amount required to bring all institutions at or above the Stop-Loss threshold is re-distributed.

Similarly, the Stop-Gain tool is designed to prevent an institution from receiving a disproportionately large positive spike in state when compared to the prior year. If the Stop-Gain is triggered, the excess allocation from the triggering institution is re-distributed proportionally to all institutions which do not trigger the Stop-gain. Only the amount of allocation necessary to bring all institutions within the Stop-Gain threshold is re-distributed. This spreads additional state support more broadly over all institutions, yet does so at the cost of institutions which are performing highly under the SSCM.

Lastly, a graduated increase from the almost exclusively enrollment based RAM funding system in place today to a primarily degree completion based funding methodology will be phased-in over the next several years. This process, along with the Stop-Gain and Stop-Loss tools will allow institutions to adjust support and retention strategies to reflect a funding model which provides a greater focus, and incentive, to supporting students through to completion. By allowing for a thoughtful transition period, the HECC in conjunction

with stakeholders will be able to identify and adjust for any unanticipated impacts. HECC staff, in conjunction with our university partners have positioned this transition to be an orderly evolution from the RAM funding system to a more student success focused completion model with the SSCM.

The model will be periodically reviewed, at an interval of no less than once every two years, to make technical adjustments as necessary to ensure the SSCM is effectively capturing the intent of the Commission. Once every six years, beginning in Fiscal Year 2020 a comprehensive process, including relevant stakeholders, will be undertaken to evaluate effectiveness and adjust the model as needed. This comports with national best practices, which allow for periodic reviews of funding models to ensure they match state strategy and goals, yet provide stability for institutional planning and long-term investment.

### **Additional Material**

Attached to this document you will find an overview of the key components embedded within the SSCM, the weighting structure associated with each component and references to their definition and settings within the set of Administrative Rules which operationalize the SSCM. This document includes the Fiscal Year 2015 and forecast Fiscal Year 2016 funding levels for institutions in aggregate, on a per resident degree basis and a breakdown of year-over-year changes. A letter, signed by the seven public university presidents addressed to the HECC regarding TRU shared services is attached. Finally, a list of workgroup participants, the timeline of workgroup meetings and reports by HECC staff or others to the full Commission or the Funding and Achievement Subcommittee in regard to funding model development is attached. A separate packet of information including the Staff Recommendation regarding the adoption of OAR 715-013-0025 and OAR 715-013-0040, the administrative rule texts and public comment received related the adoption of the these rules will be provided Commissioners.

# University Student Success & Completion Model (SSCM)

## Information Packet

### Introduction:

Below the primary components of the Student Success and Completion Model (SSCM), a rules based funding model for Oregon's public universities, are listed and the forecast funding levels given certain assumptions are provided. The SSCM provides a rational and structured funding system which focuses the state's investment in the Public University Support Fund on access and completion of resident students, with particular emphasis on those students which are hardest to reach and in areas of critical need for the state. The following table provides references to the major components of the SSCM and their location in proposed OAR 715-013-0025 and OAR 715-013-0040 for ease of reference. These OAR's, when taken together, provide the framework and weighting factors necessary to operationalize the SSCM. HECC Staff and members of the Outcomes-Based Funding Technical Workgroup have developed a model which meets the principles articulated by the HECC's strategic plan and provide predictability and clear incentives for Oregon's public universities.

### SSCM Components and OAR Reference:

SSCM Component	Model Attribute	OAR 715-013-0025	OAR 715-013-0040
<b>Transition:</b>			
	Graduated Phase-In	Section 6	Section 2
	Stop Loss	Section 7	Section 11
	Stop Gain	Section 7	Section 11
<b>Mission Differentiation:</b>			
	Regional Support	Section 6(a)(i)	Section 3
	Mission Support	Section 6(a)(ii)	Section 3
	Research Support	Section 6(a)(iii)	Section 3
	Dual Credit Funding	Section 6(a)(iv)	Section 4
<b>Student Credit Hour Completions:</b>			
	Cost Weighting	Section 1(c) Section 6(b) Section 6(b)(iii)	Section 5
<b>Degree Completions:</b>		Section 6(c) Section 6(c)(vii)	
	Bachelor's Degree	Section 1(a) Section 6(c)(i)	Section 6
	Master's Degree	Section 1(n) Section 6(c)(i)	Section 6
	Doctoral Degree	Section 1(f) Section 6(c)(i)	Section 6
	First Professional Degree	Section 1(q) Section 6(c)(i)	Section 6
	Graduate Certificate	Section 1(h) Section 6(c)(i)	Section 6
	Transfer Degrees	Section 1(bb) Section 6(c)(v)	
	Cost Weighting	Section 1(c) Section 6(c)(ii)	Section 7

<b>Targeted Degree Program Completions:</b>		Section 6(c)(iii)	Section 8
	STEM	Section 6(c)(iii)	Section 8
	Health	Section 6(c)(iii)	Section 8
	Bilingual Education	Section 6(c)(iii)	Section 8
<b>Priority Student Sub-Population Completions:</b>		Section 1(aa) Section 6(c)(iv)	Section 9
	Veterans Students	Section 1(ee)	Section 9
	Underrepresented Minority Students	Section 1(cc)	Section 9
	Low Income Students	Section 1(k)	Section 9
	Rural Students	Section 1(u)	Section 9
<b>TRU Shared Services</b>		Section 6(a)(i)	Section 3
<b>HB 5101 Tuition Offset Continuation</b>		Section 9	
<b>Reexamination Timeline</b>		Section 11	

**SSCM Settings and expected funding is as follows:**

- Transition
  - Graduated Phase-In:

<b>Table 1</b>	<b>Activity-Based and Outcomes-Based Funding Proportions</b>				
<b>Fiscal Year</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Outcomes-Based Allocation Proportion	20%	40%	60%	60%	60%
Activity-Based Allocation Proportion	80%	60%	40%	40%	40%

- Stop Loss & Stop Gain:

<b>(1) Table 10</b>	<b>Stop Loss and Stop-Gain</b>				
<b>Fiscal Year</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Stop Loss	4.5%	2.0%	1.0%	0.0%	Disengaged
Stop Gain	1.5 x   $\Delta$ PUSF	2016+10%	2017+10%	2018+10%	Disengaged

Where | $\Delta$ PUSF| is equal to Fiscal Year 2016 PUSF allocation less legislative designated funds and TRU Shared Services as a proportion of total Fiscal Year 2015 PUSF allocation.

If, during Fiscal Year 2016 through Fiscal Year 2020 the year-over-year change in the PUSF is less than the Stop Loss threshold for that fiscal year the designated Stop Loss is reset to the year-over-year change in the PUSF, such that the change in funding level for all public universities is pro rata.

- Mission Differentiation:
  - Expected Allocation: \$54.6M Mission Differentiation Funding (inflation adjusted)
  - Regional Support:
  - Mission Support:
  - Research Support:

<b>Table 2</b>	<b>Mission Differentiation Funding</b>						
<b>REGIONAL SUPPORT</b>							
	<b>EOU</b>	<b>OIT</b>	<b>OSU</b>	<b>PSU</b>	<b>SOU</b>	<b>UO</b>	<b>WOU</b>
Regional University Support Adjustment <sup>1</sup>	\$2,835,488	\$ 2,696,084	\$ 2,490,212		\$ 1,907,486		\$1,522,848
Retrenchment	\$194,777	\$194,874	\$129,904		\$194,867		\$194,832
Retention & Graduation	\$340,860	\$ 341,028	\$227,331		\$341,019		\$ 340,955
Underpinning	\$340,860	\$341,028	\$227,331		\$341,019		\$340,955
11-13 Regional Support	\$790,141	\$790,141			\$790,142		\$790,141
Regional Access	\$848,153	\$365,155			\$273,858		\$91,272
EOU Supplemental Support <sup>2</sup>	\$1,991,360						
IT Fifth Site	\$478,020	\$478,020			\$478,020		\$478,020
TRU Shared Services <sup>3</sup>	\$1,489,522	\$1,521,622			\$1,681,992		\$1,260,448

<sup>1</sup> Regional University Support Adjustment provides \$601 per FTE for every FTE below 7,500 FTE at an institution. OSU-Cascades FTE is calculated separately from OSU Corvallis campus and is awarded 60% of per FTE value indicated above. The per FTE appropriation will change by the same rule as other Mission Differential Funding line items.

<sup>2</sup>EOU Supplemental Support begins in Fiscal Year 2016 at the dollar figure indicated and will change by the same rule as other Mission Differential Funding items thereafter.

<sup>3</sup>TRU Shared Services begin at Fiscal Year 2016 at the dollar figure indicated and are allocated after any Stop Loss or Stop Gain allocations for Fiscal Year 2016 only. Thereafter TRU Shared Services are allocated within the Mission Differentiation Allocation and shall change by the same rule as other Mission Differential Funding items.

<b>RESEARCH SUPPORT</b>							
	<b>EOU</b>	<b>OIT</b>	<b>OSU</b>	<b>PSU</b>	<b>SOU</b>	<b>UO</b>	<b>WOU</b>
Sponsored Research	\$43,308	\$16,507	\$2,119,115	\$351,361	\$33,012	\$1,043,161	\$124,459
Faculty Salaries - Research	\$38,995	\$65,026	\$ 592,283	\$509,955	\$92,477	\$694,197	\$67,901
<b>MISSION SUPPORT</b>							
	<b>EOU</b>	<b>OIT</b>	<b>OSU</b>	<b>PSU</b>	<b>SOU</b>	<b>UO</b>	<b>WOU</b>
UO Law Underpinning						\$602,643	
OSU Pharmacy Underpinning			\$1,035,077				
OSU Veterinary Medicine Underpinning			\$3,454,488				
OIT Terminal Health Programs Underpinning <sup>1</sup>		\$200,000					
Engineering Technology Undergraduate <sup>2</sup>		\$1,504,281		\$6,930			
Engineering Graduates <sup>3</sup>		\$28,259	\$2,267,071	\$594,318			
Collaborative OUS Nursing Program	\$ 22,049	\$12,942			\$ 37,239		\$ 24,445
Regional Solutions	\$13,092		\$13,092	\$13,092		\$13,092	
Statewide Access		\$ 830,642					
Campus Public Service Programs	\$221,924			\$570,890	\$ 99,008	\$541,094	\$1,525
Bldg. Maintenance / SWPS			\$1,784,820				
OCATE				\$582,869			
Southwestern Oregon University Center (SOUC)	\$112,718						
OWEN						\$404,461	
Systemwide Expenses / Programs <sup>4</sup>	\$55,268	\$52,517	\$780,126	\$239,294	\$126,784	\$ 695,421	\$147,622
Veterinary Diagnostic Lab			\$1,226,077				
Health Professions Programs	\$276,031	\$2,264,004			\$380,845		\$307,927

PSU-NEW Leadership Oregon				\$65,468			
Rural Access	\$253,079						
PSU-Oregon Biodiversity Information Center				\$49,334			
<sup>1</sup> OIT Terminal Health Programs Underpinning begins in Fiscal Year 2013 at the dollar figure indicated will change by the same rule as other Mission Differential Funding items thereafter.							
<sup>2</sup> Engineering Technology Undergraduate provides supplemental FTE funding for undergraduate enrollment in Engineering Technology. Total funding will change by the same rule as Mission Differential Funding and is allocated based on institutional undergraduate FTE in CIP 15.							
<sup>3</sup> Engineering Graduates provides supplemental FTE funding for graduate enrollment in Engineering. Total funding and will change by the same rule as Mission Differential Funding and is allocated based on institutional graduate FTE in CIP 14.							
<sup>4</sup> State Assessments provided in Fiscal Year 15 will be discontinued from the Systemwide Expenses / Programs line.							

- Dual Credit:

Table 3		Dual Credits
Allocation per SCH:		\$50.00

- Student Credit Hour Completions: See OAR 715-013-0040 Section 5
  - Expected funding allocation: \$183.6M
- Degree Completions
  - Expected funding allocations: \$45.9M
  - Level:

Table 5		Degree Level Weighting		
Degree Level	Weight	Funding per Completion	Share of Total Appropriations	
Baccalaureate Degrees	2.0	\$2,797	7.5%	
Masters Degrees	1.0	\$ 1,607	1.2%	
Doctorate Degrees	1.4	\$ 4,415	0.6%	
Professional Degrees	1.0	\$ 2,165	0.1%	
Graduate Certificates	0.2	\$ 283	0.1%	

- Cost Weighting: See OAR 715-013-0040 Section 7
- Targeted Degree Programs:

Table 7		Priority Degrees		
CIP	Description	Area of Study Weight	Category	
11	Computer and Information Sciences	1.2	STEM	
14	Engineering	1.2	STEM	
15	Engineering Technologies	1.2	STEM	
26	Biological and Biomedical Sciences	1.2	STEM	
27	Mathematics and Statistics	1.2	STEM	
30.01	Biological and Physical Sciences	1.2	STEM	
30.06	Systems Science and Theory	1.2	STEM	
30.08	Mathematics and Computer Science	1.2	STEM	
30.18	Natural Sciences	1.2	STEM	
40	Physical Sciences	1.2	STEM	
51	Health Professions, Related Programs	1.2	Health	
BLE	Bilingual Education	2.2	Bilingual Education	

<b>Priority Degree by Category</b>			
<b>Category</b>	<b>Weighting</b>	<b>Funding per Completion</b>	<b>Share of Total Allocation</b>
STEM	120%	\$ 803	0.6%
Bilingual Education	220%	\$ 809	0.0%
Health	120%	\$ 967	0.2%

- Priority Student Populations:

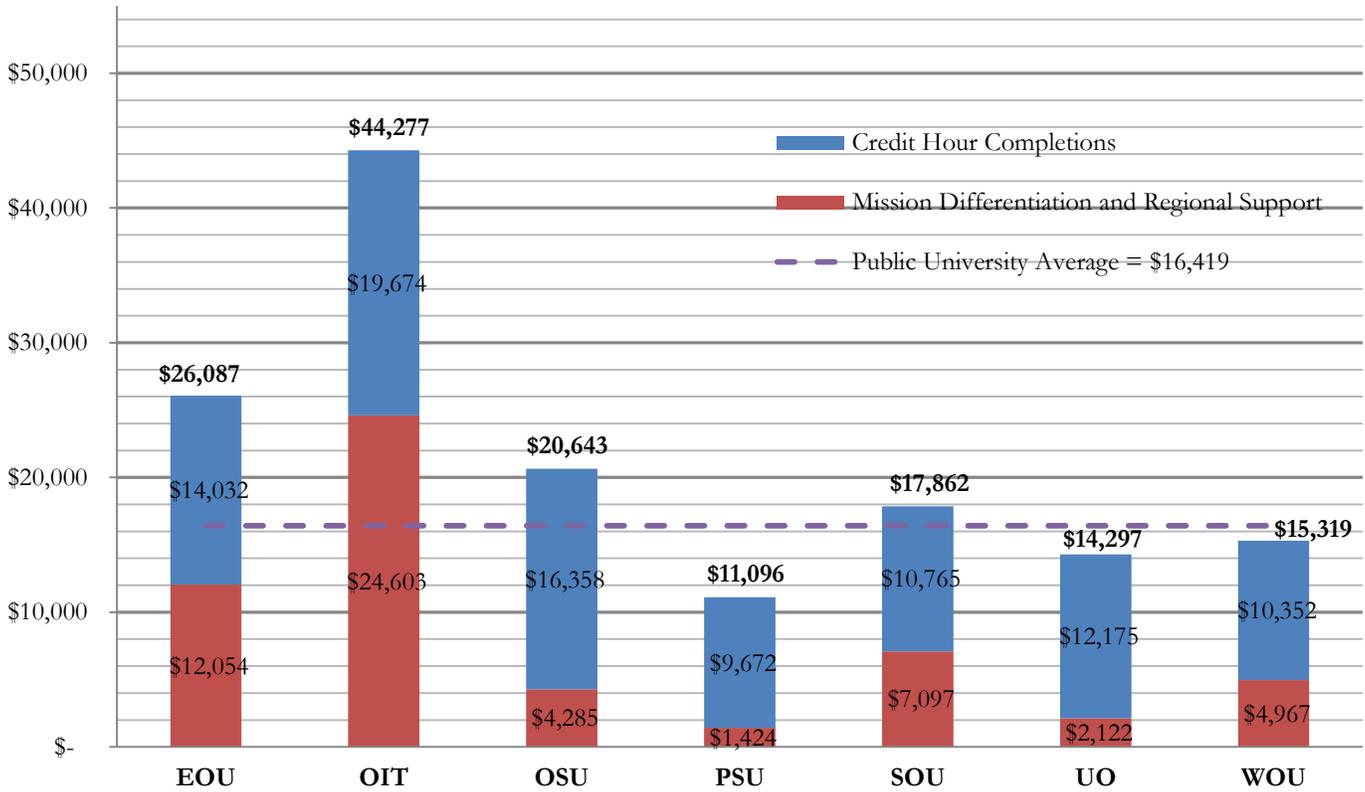
<b>Table 8 Targeted Student Populations</b>			
<b>Number of Targeted Student Population Categories</b>	<b>Weight</b>	<b>Funding per Completion</b>	<b>Share of Total Allocation</b>
1	0.8	\$ 857	1.6%
2	1.0	\$ 1,072	0.6%
3	1.1	\$ 1,179	0.0%
4	1.2	\$ 1,286	0.0%

- Transfer Students:

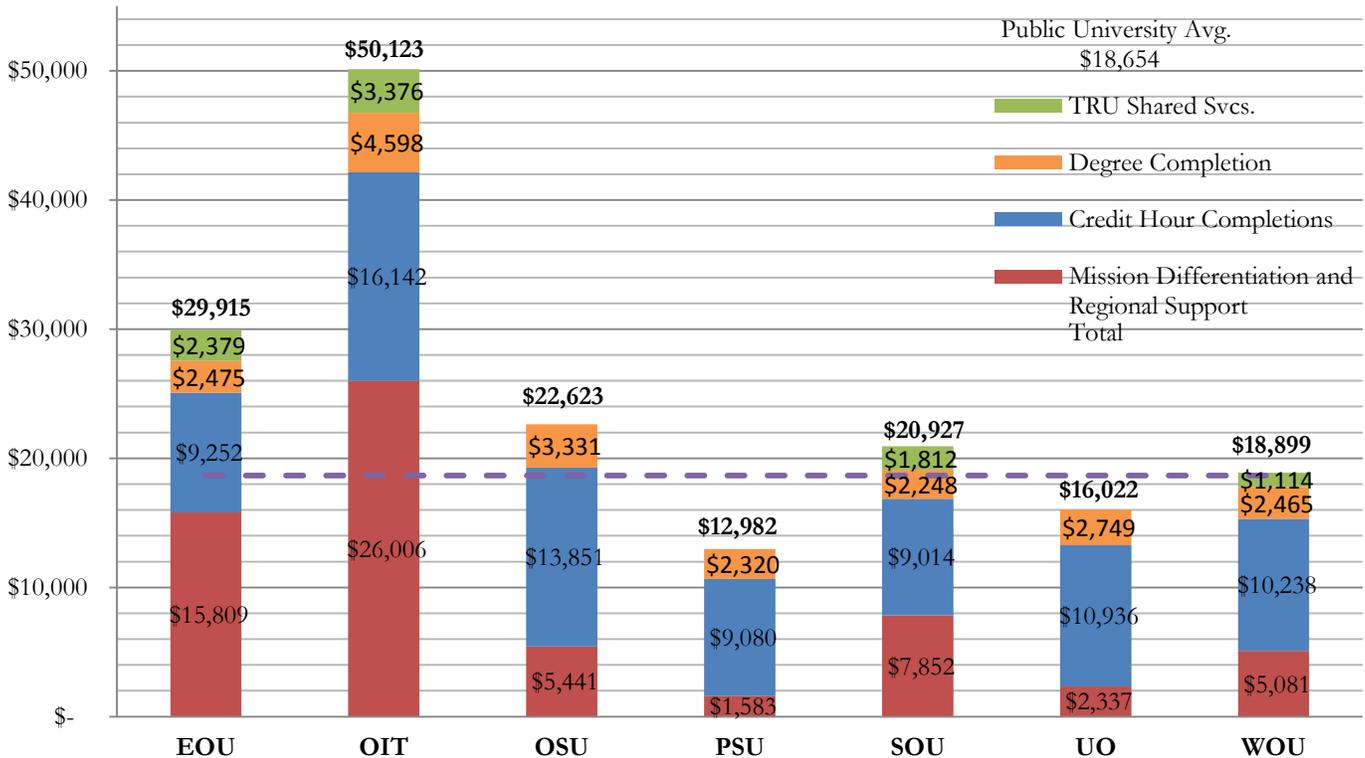
<b>Table 9 Transfer Student Discount Factor</b>			
		<b>Funding per Completion</b>	<b>Share of Total Appropriations</b>
Bachelor's Degree Discount Factor:	62.54%	\$ 1,696	2.1%

- TRU Shared Services: See OAR 715-013-0040 Section 3
  - Expected funding allocation: \$6.0M FY16
- HB 5101 Tuition Offset Continuation: See OAR 715-013-0025 Section 9
  - Expected funding allocation: \$21.0M FY16
- Reexamination of SSCM Timeline: See OAR 715-013-0025: Section 11
  - Weighting factors will be reexamined no less than once every biennium
  - The Executive Director of the HECC will convene a group of stakeholders during the even numbered year of every third biennium (starting in 2020) to “recommend changes to the SSCM to match the strategic priorities of the state of Oregon and the HECC as appropriate.”
- HECC Staff has agreed with university stakeholders to examine the cost-weighting factors embedded within the SSCM during Fiscal Year 2016 and implement changes beginning with Fiscal year 2017. This is not embedded within the OARs operationalizing the SSCM, however will be embedded in the Staff Recommendation.

### Total Allocation per Degree - FY15

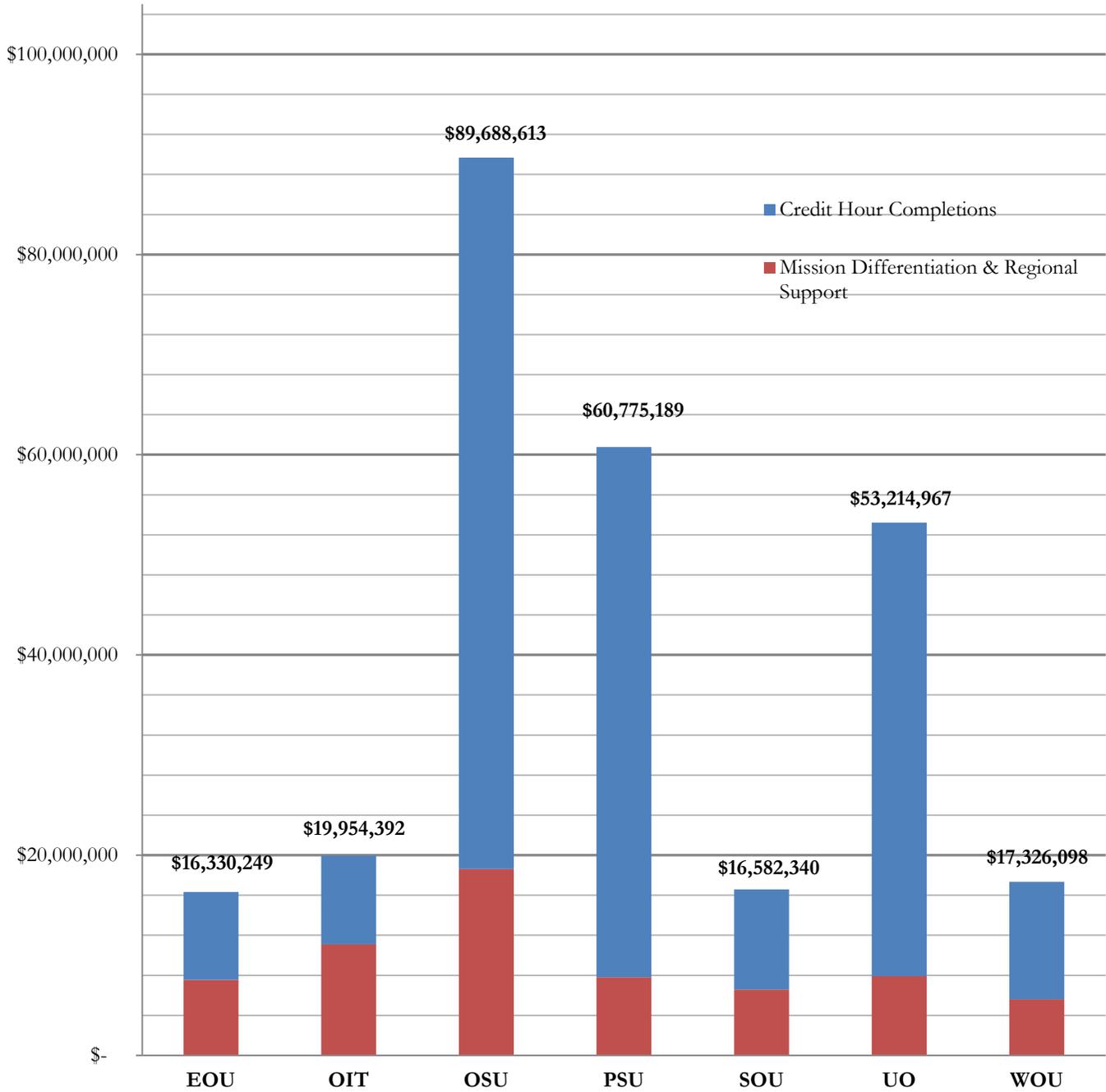


### Total Allocation per Degree - FY16



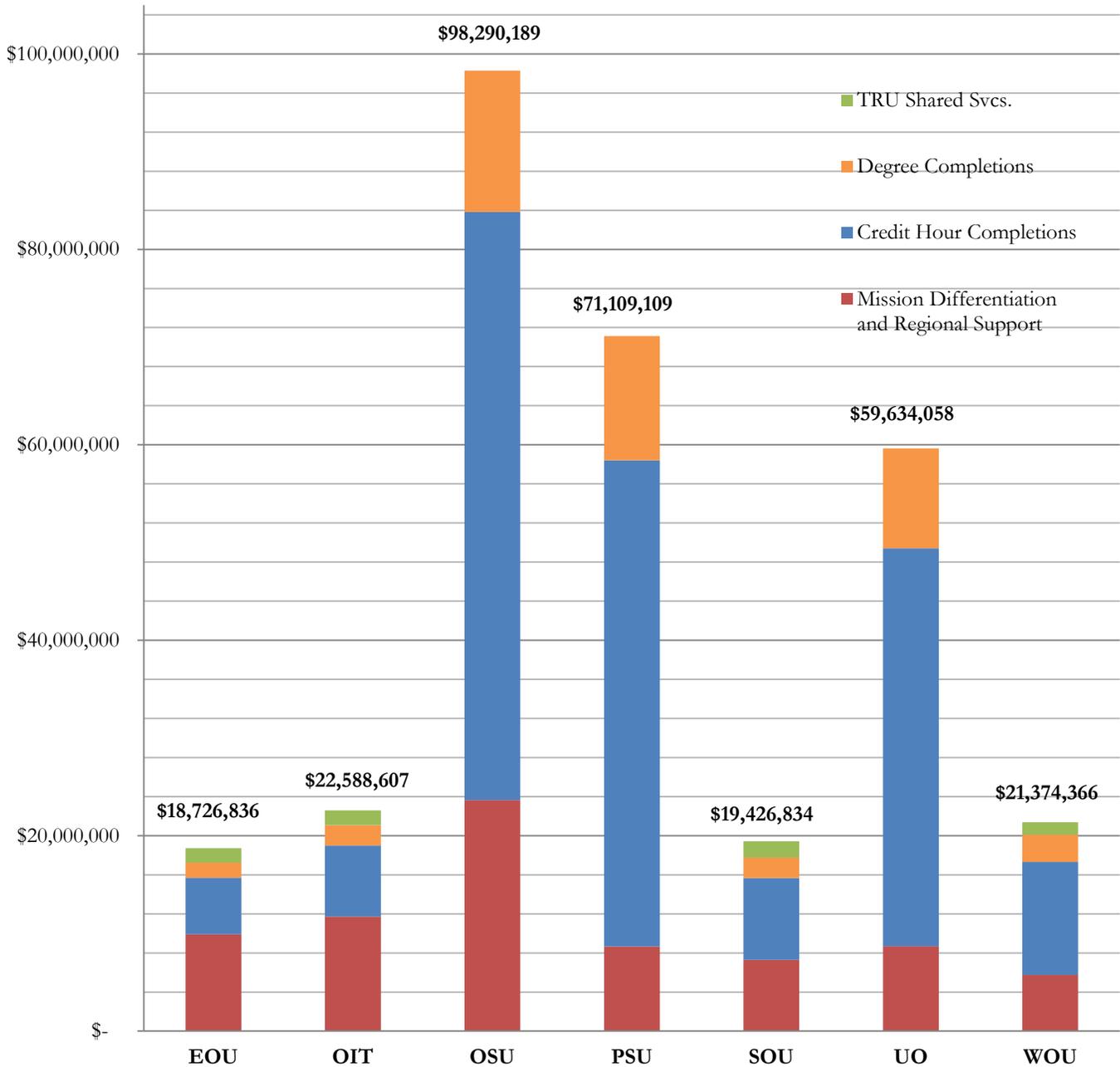
Note: Assumes 2015-17 Co-Chair's Budget Framework PUSF funding level of \$635M

### Total Allocation - FY15



	Degrees	Mission Differentiation & Regional Support	Credit Hour Completions	Total PUSF Allocation
EOU	626	\$ 7,546,022	\$ 8,784,227	\$ 16,330,249
OIT	451	\$ 11,087,898	\$ 8,866,494	\$ 19,954,392
OSU	4,345	\$ 18,617,477	\$ 71,071,136	\$ 89,688,613
PSU	5,477	\$ 7,797,159	\$ 52,978,030	\$ 60,775,189
SOU	928	\$ 6,588,637	\$ 9,993,703	\$ 16,582,340
UO	3,722	\$ 7,899,195	\$ 45,315,772	\$ 53,214,967
WOU	1,131	\$ 5,617,480	\$ 11,708,618	\$ 17,326,098
<b>System Total</b>	<b>16,680</b>	<b>\$ 65,153,868</b>	<b>\$ 208,717,980</b>	<b>\$ 273,871,848</b>

### Total Allocation - FY16



Note: Assumes 2015-17 Co-Chair's Budget Framework PUSF funding level of \$635M

	Degrees	Mission Differentiation and Regional Support	Credit Hour Completions	Degree Completions	TRU Shared Svcs.	Total
<b>EOU</b>	626	\$ 9,896,313	\$ 5,791,729	\$ 1,549,272	\$ 1,489,522	\$ 18,726,836
<b>OIT</b>	451	\$ 11,720,253	\$ 7,274,514	\$ 2,072,217	\$ 1,521,622	\$ 22,588,607
<b>OSU</b>	4,345	\$ 23,638,503	\$ 60,179,858	\$ 14,471,828	\$ -	\$ 98,290,189
<b>PSU</b>	5,477	\$ 8,672,134	\$ 49,731,717	\$ 12,705,258	\$ -	\$ 71,109,109
<b>SOU</b>	928	\$ 7,289,100	\$ 8,368,420	\$ 2,087,322	\$ 1,681,992	\$ 19,426,834
<b>UO</b>	3,722	\$ 8,697,380	\$ 40,703,055	\$ 10,233,623	\$ -	\$ 59,634,058
<b>WOU</b>	1,131	\$ 5,746,682	\$ 11,579,546	\$ 2,787,690	\$ 1,260,448	\$ 21,374,366
<b>System Total</b>	16,680	\$ 75,660,366	\$ 183,628,839	\$ 45,907,210	\$ 5,953,584	\$ 311,149,999

**FY 2015 Actual and FY 2016 Forecast Details:**

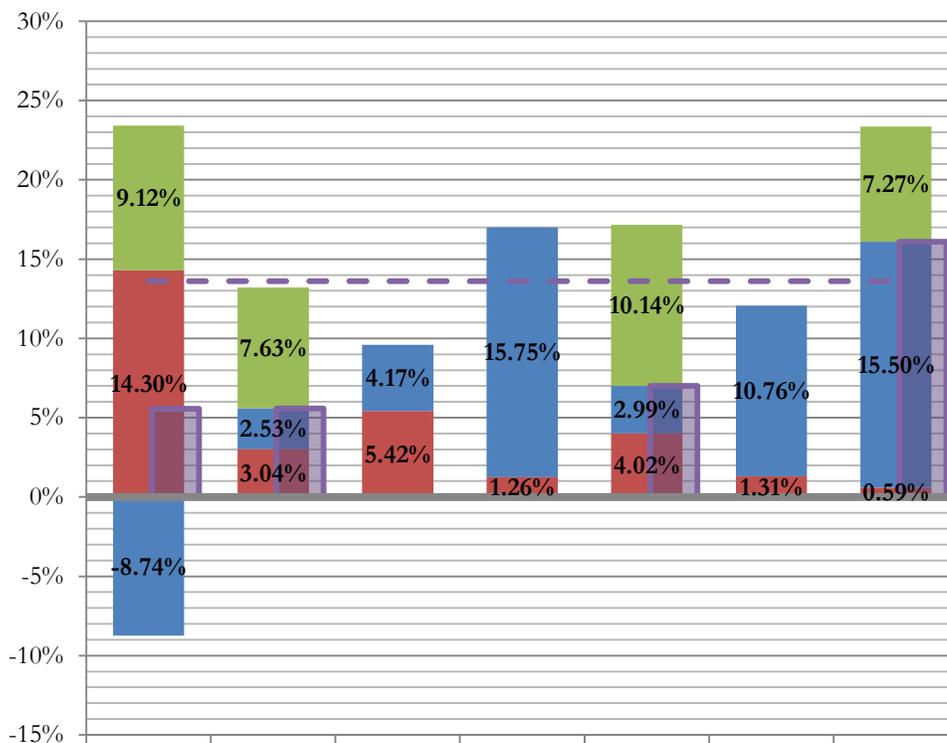
<b>Total Allocation</b>				
<b>Institution</b>	<b>FY15 RAM</b>	<b>FY16 SSCM</b>	<b>FY16 Shared Services<sup>1</sup></b>	<b>FY16 Total Allocation</b>
<b>EOU</b>	\$16,330,249	\$17,237,314	\$1,489,522	\$18,726,836
<b>OIT</b>	\$19,954,392	\$21,066,985	\$1,521,622	\$22,588,607
<b>OSU</b>	\$89,688,613	\$98,290,189	N/A	\$98,290,189
<b>PSU</b>	\$60,775,189	\$71,109,109	N/A	\$71,109,109
<b>SOU</b>	\$16,582,340	\$17,744,842	\$1,681,992	\$19,426,834
<b>UO</b>	\$53,214,967	\$59,634,058	N/A	\$59,634,058
<b>WOU</b>	\$17,326,098	\$20,113,918	\$1,260,448	\$21,374,366
<b>Total</b>	\$273,871,848	\$305,196,415	\$5,953,584	\$311,149,999

<b>Allocation Change</b>			
<b>Institution</b>	<b>FY16 SSCM Increase</b>	<b>FY16 Shared Services<sup>1</sup></b>	<b>FY15 to FY16 Total Allocation</b>
<b>EOU</b>	5.6%	9.1%	14.7%
<b>OIT</b>	5.6%	7.6%	13.2%
<b>OSU</b>	9.6%	N/A	9.6%
<b>PSU</b>	17.0%	N/A	17.0%
<b>SOU</b>	7.0%	10.1%	17.2%
<b>UO</b>	12.1%	N/A	12.1%
<b>WOU</b>	16.1%	7.3%	23.4%
<b>Total</b>	11.4%	2.2%	13.6%

Notes:

<sup>1</sup> Shared Services refers to funding for the TRU universities which support costs associated with unbundled operational expenses, certain governance expenses and services rendered by the USSE. Many of these services were historically provided by the Chancellor's Office. A detailed account of costs associated with these services can be found in the letter signed by the Presidents of all seven public universities dated February 23, 2015 and appended to this packet.

### Change from FY15 to FY16 by Funding By Category



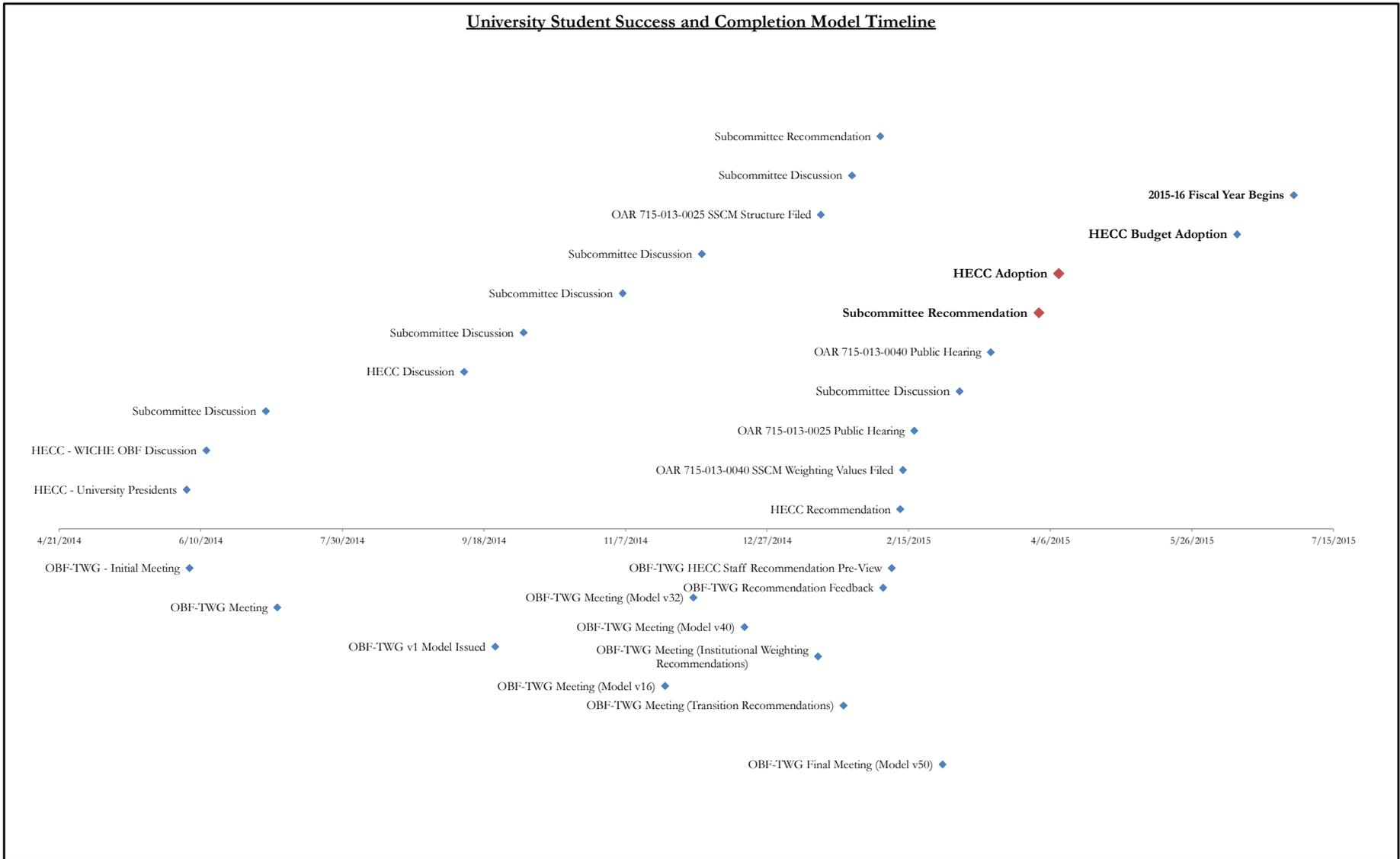
	EOU	OIT	OSU	PSU	SOU	UO	WOU
Shared Services	9.12%	7.63%	0.00%	0.00%	10.14%	0.00%	7.27%
Degree and Credit Completion Differentiation	-8.74%	2.53%	4.17%	15.75%	2.99%	10.76%	15.50%
Mission Differentiation	14.30%	3.04%	5.42%	1.26%	4.02%	1.31%	0.59%
Total Allocation	14.68%	13.20%	9.59%	17.00%	17.15%	12.06%	23.37%
Allocation without Shared Services	5.55%	5.58%	9.59%	17.00%	7.01%	12.06%	16.09%
'Average change'	13.61%	13.61%	13.61%	13.61%	13.61%	13.61%	13.61%

Notes:

- Forecast assumes 2015-17 Co-Chairs’ Budget Framework PUSF funding level of \$635M.
- Purple bars represent year-over-year forecast change at the TRU institutions excluding TRU shared services and support for unbundled operations and governance expense formerly provided by the Chancellor’s Office.
- Decrease in Degree and Credit Completion funding at EOU is caused by shifting on non-resident subsidy from enrollment based category to Mission Differentiation and Regional Support category.
- Increase in “Shared Services” supports costs associated with unbundled operational expenses, certain governance and board expenses and services previously funded by the Chancellor’s Office.

**OBF Workgroup Roster**

- Sherm Bloomer  
*Director, Budget and Fiscal Planning* Oregon State University
- Brad Burda  
*Provost and Vice-President for Academic Affairs* Oregon Tech
- Jeff Dense  
*President* Interinstitutional Faculty Senate
- Brian Fox  
*Administrator, University Budget and Finance* Higher Education Coordinating Commission
- Jan Lewis  
*Director, Administrative Services* Oregon State University
- David McDonald  
*Associate Provost* Western Oregon University
- Lara Moore  
*Vice-President, Finance and Administration* Eastern Oregon University
- Craig Morris  
*Vice-President, Finance and Administration* Southern Oregon University
- Eric Noll  
*President* Oregon Student Association
- Kevin Reynolds  
*Vice-President, Finance and Administration* Portland State University
- Brad Shelton  
*Interim Vice-President, Research and Innovation* University of Oregon
- Sarah Witte  
*Interim Provost and Senior Vice-President Academic Affairs* Eastern Oregon University
- Mary Ann Zemke  
*Vice-President, Finance and Administration* Oregon Tech



## Oregon Public University Council

 Post Office Box 751 503-725-4411  
 Portland, OR 97207


February 23, 2015

Chair Tim Nesbitt  
 Commission Members  
 Executive Director Ben Cannon  
 Higher Education Coordinating Commission

Dear Chair Nesbitt, Commissioners, and Executive Director Cannon,

The seven presidents of Oregon's public universities appreciate the opportunity to provide a recommendation to the Commission about the importance of covering the costs for the Technical and Regional Universities (TRUs) associated with the unbundling of the Oregon University System (OUS).

Each of us is now actively engaged with our institutional governing boards. We are grateful for the opportunity to work with such dedicated education leaders who are committed to guiding our institutions and exercising their fiscal stewardship. Our Vice Presidents of Finance and Administration (VPFAs) have been working diligently with the Higher Education Coordinating Commission staff to transition from the Oregon University System Resource Allocation Model to the Student Success and Completion Model that will promote alignment of university outcomes with the goals of the Governor, the Commission, and the universities. One outstanding issue is the ability of the TRUs to absorb the shared services and operational costs associated with the dissolution of the system, regardless of the outcomes-based funding model.

In 2014, the Legislature reduced the Public University Support Fund by the amount of the remaining funding for Chancellor's Office operations. The 2015-17 Public University Support Fund contains no funding for Chancellor's Office operations as it ceases to exist on 7/1/15. Chancellor's Office operations previously covered a number of activities that now must be borne by the individual universities. The VPFAs have worked together to identify the costs that the TRUs will bear without a dedicated resource for covering these expenses.

For these reasons, we are united in our recommendation to the HECC that ongoing and dedicated funding for the costs in the attached worksheet be added to HECC's Regional Support base allocation for the TRUs in the amount of \$12,097,683 beginning with the 2015-17 biennium. The table itemizes the specific services and operating costs and the associated assumptions. Please note that a key assumption pertains to the \$1.9M per year currently funded in the FY15 allocation to the TRUs. If this funding for the "5th site" does not continue, the request increases from \$12.1M to \$15.9M per biennium.

We would be happy to meet with you to discuss the details of the recommendation, and look forward to hearing from you about how this critical funding may be incorporated into the HECC's allocation formula.

Sincerely,

University Presidents



Jay Kenton  
Eastern Oregon University



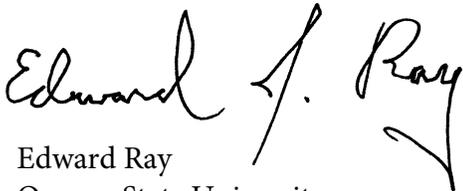
Roy Saigo  
Southern Oregon University



Chris Maples  
Oregon Institute of Technology



Scott Coltrane  
University of Oregon



Edward Ray  
Oregon State University



Mark Weiss  
Western Oregon University



Wim Wiewel  
Portland State University

Cc: Senator Richard Devlin, Co-Chair, Joint Committee on Ways & Means  
Representative Peter Buckley, Co-Chair, Joint Committee on Ways & Means

	A	B	C	D	E	F	G	H	I	J	
1	<b>TECHNICAL &amp; REGIONAL (TRU)</b>										
2	<b>SHARED SERVICES &amp; UNBUNDLED OPERATIONAL COSTS REQUEST</b>										
3				<b>EOU</b>	<b>OIT</b>	<b>SOU</b>	<b>WOU</b>	<b>ANNUAL TOTAL</b>	<b>BIENNIAL AMOUNT</b>		
4	<b>USSE Services</b> <sup>2</sup>	Financial Reporting Services		\$92,400	\$92,400	\$92,400	\$92,400	\$369,600	\$751,027.20		
5		Information Technology Services (5th Site)		717,471	709,560	780,750	728,711	2,936,492	5,966,952		
6		Payroll & Related Tax Processing Services		62,770	44,020	44,020	43,270	194,080	394,371		
7		Collective Bargaining Services		47,250	47,250	47,250	47,250	189,000	384,048		
8		Optional Retirement Plan (ORP) Services		14,508	18,507	17,879	23,001	73,895	150,155		
9		Shared Legacy Debt Services		4,320	7,430	7,020	9,450	28,220	57,343		
10		Bank Reconciliation Services		16,290	16,290	16,290	16,290	65,160	132,405		
11		Endowment Services		2,380	450	3,310	120	6,260	12,720		
12		Public University Fund Administration (Treasury Debt Service Charges)		37,335	39,765	43,147	47,849	168,096	341,571		
19		<b>Other Operating</b> <sup>3</sup>	Financial Analyst/IR - 1 FTE per TRU		123,000	123,000	123,000	123,000	492,000	999,744	
20			Cooperative Contracting		9,200	9,200	9,200	9,200	36,800	74,778	
21			Statewide Student Services		37,500	37,500	37,500	37,500	150,000	304,800	
22	Legal Services			250,000	250,000	250,000	250,000	1,000,000	2,032,000		
23	Internal Audit			175,000	175,000	175,000	175,000	700,000	1,422,400		
24	External Audit			125,000	125,000	125,000	125,000	500,000	1,016,000		
25	Capital Construction Services/Analysis			80,000	80,000	80,000	80,000	320,000	650,240		
26	<b>Other</b>	PEBB Composite Rate Increase		222,527	295,759	399,478	113,565	1,031,329	2,095,661		
27		Insurance Premium Increase		22,596	16,458	34,351	26,913	100,318	203,846		
28		Direct Board of Trustee Costs		75,000	85,000	85,000	75,000	320,000	650,240		
29		<b>Total Before Offsets</b>		<b>\$2,114,547</b>	<b>\$2,172,589</b>	<b>\$2,370,595</b>	<b>\$2,023,519</b>	<b>\$8,681,250</b>	<b>\$17,640,300</b>		
30	<b>Offsets</b>	<b>Less Offset for Cost Reductions &amp; Other Resources</b>									
31		Chancellor Office Prior Assessments <sup>4</sup>		47,005	72,947	110,583	185,051	415,586	844,471		
32		IT Fifth Site Funding in Outcome Based Funding Model <sup>5</sup>		478,020	478,020	478,020	478,020	1,912,080	3,885,347		
33		IT Fifth Site Costs Contributed by University		100,000	100,000	100,000	100,000	400,000	812,800		
34		<b>Total Offsets</b>		<b>\$625,025</b>	<b>\$650,967</b>	<b>\$688,603</b>	<b>\$763,071</b>	<b>\$2,727,666</b>	<b>\$5,542,617</b>		
35		<b>Total Net of Offsets</b>		<b>\$1,489,522</b>	<b>\$1,521,622</b>	<b>\$1,681,992</b>	<b>\$1,260,448</b>	<b>\$5,953,584</b>	<b>\$12,097,683</b>		
36											
37	<b>Footnotes</b>	<sup>1</sup> Includes 3.2% inflation (DAS) increase for second year of biennium 2016-2017									
38		<sup>2</sup> Does not imply specific service provider									
39		<sup>3</sup> Costs associated with unbundling of operating costs previously provided and paid by Chancellor's Office (not funded in university budgets)									
40		<sup>4</sup> Includes Indirect Cost Recovery & Auxiliary Assessments charged to each institution by Chancellor's Office									
41		<sup>5</sup> Included in the Mission Support section of the draft HECC Outcome Based Funding Model									