

Docket Item:

Division 13 - Engineering Technology Sustaining Funds Allocation Formula Rule Update (715-013-0062)

Summary:

The proposed rule amendment (715-013-0062) implements a permanent allocation process for Engineering Technology Sustaining Funds (ETSF), replacing existing rule defining the allocation and distribution of ETSF funds. The model that is being implemented in this rule follows the framework presented by staff at the May 2018 Commission meeting. Since that meeting, staff conducted a workgroup meeting with industry representatives at which they made recommendations on how to balance the three outcome categories (described below) in the final model. HECC staff accepted the recommendations of this industry panel to split the non-base funding provided through this model evenly between the three outcome categories. 33% of non-base funding will be distributed based on Outcome category 1- Degrees to Oregon residents, 34% to Outcome category 2- Research and Development and 33% to Outcome category 3- Wages and Employment in Oregon of Graduates from Targeted Programs.

The full model as implemented in the rule is described below:

Base Funding:

In order to provide a minimum level of funding to each institution, the model proposes to provide \$130,000 a year in base funding to each institution, an amount necessary to support one faculty member per year. All other funds flow through the three outcome categories below. In the highly unlikely case that ETSF funding in a particular fiscal year is less than the \$910,000 needed to pay \$130,000 to each institution, this funding would be paid first with an equal funding level to each institution.

All three outcome categories use three year rolling averages to smooth out year over year data changes.

Outcome category 1 (Degrees to Oregon Residents)-33% of non-base funding: This outcome category allocates funds to institutions based on production of resident degrees (at all levels) according to CIP designation (degree codes) in the following fields: Computer Science, Engineering, Mathematics and Computer Science, Engineering Technologies, as well as masters degrees for the following fields for the University of Oregon only: Biology, Chemistry, Physics and Materials Sciences.

Outcome category 2 (Research and Development)-34% of non-base funding: This outcome category allocates funds based on two factors. First, PhD degrees (earned by both residents and non-residents) in Computer Science, Engineering, Mathematics and Computer Science and Engineering Technologies account for 60% of the funding in this category. Second,

research expenses in Computer Science, Engineering, Mathematics and Computer Science, Chemistry and Physics account for the remaining 40%. Institutions will submit their research expenses annually to the HECC to facilitate the allocation calculation.

Outcome category 3 (Wages and Employment in Oregon of Graduates from Targeted Programs)-33% of non-base funding: This outcome category allocates funds based on whether graduates in the program areas covered above (residents and non-residents) are employed in jobs in Oregon at a specific time interval after graduation, as well as the wages the individual earns, with each accounting for 50% of the funding within this outcome category. There is a one-year lag between graduation and the first check for employment. Therefore, to be considered employed for purposes of this section, the rule asks if graduates from 4 years ago are employed 3 years out, graduates 3 years ago, 2 years out and graduates 2 year ago 1 year out. This data currently comes from the Oregon Employment Department and is largely limited to W-2 employees.

Review and Implementation:

In addition, the rule calls for a review of its design and the consideration of potential new programs to be conducted every five years (the first such review is set for the end of 2023). Should the Commission approve this rule at this meeting, the first distribution under this formula will be made in the second quarter of this fiscal year (FY19) and would include the full amount that would have been distributed had it been in place for Q1 as well as any amounts due in Q2.

Two formal comments to the proposed rule language were received. One was from the University of Oregon and it expressed UO's support for this rule. The second was from Oregon Tech and it also expressed support for the rule, while also suggesting additional non-substantive language that the HECC chose not to include in the final rule. Informal comments were received from those involved in the workgroup suggesting slight language changes to clarify portions of this rule, resulting in minor, clarifying adjustments. No one attended the required rulemaking hearing held on July 17, 2018. Some minor technical changes and corrections were made by staff during the rulemaking process but these adjustments do not substantively alter the content of the rule.

Docket Material:

Rule Text

Staff Recommendation:

Staff recommends approval of the amended rule as included in the docket item.