

Oregon TECH
Oregon Institute of Technology
OFFICE OF THE PRESIDENT

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November 11, 2020

Ben Cannon
Executive Director
Higher Education Coordinating Commission
3225 25th Street NE
Salem, OR 97302

Dear Ben,

Re.: Oregon Tech's Comments on Proposed HECC Action on the SSCM

Oregon Tech is appreciative of the discussion by the Funding and Achievement Committee of the HECC on Tuesday, November 10, 2020, regarding the Student Success and Completion Model (SSCM). We have previously shared there is much good work embedded in what has been developed thus far. However, we are disappointed that the committee voted to move into the rule making phase on certain aspects of the Student Success and Completion Model (SSCM) revisions.

That said, we are appreciative that the Committee saw fit to ask for additional review and recommendations on certain aspects of the model at its December meeting. To our understanding these include the mechanisms for funding changes in the Mission Differentiation section, phasing in of any model changes, and additional modeling of formula changes over multiple biennia. Your commitment and that of the Committee for an iterative and inclusive rulemaking process that will allow for revisions as the process continues did not go without notice and we look forward to participating fully.

In reworking a funding model during a constrained budget environment, we certainly recognize that the Commission is in a difficult position. It is being provided disparate advice from different institutions -- none of which is likely to be completely happy with the outcome and all of them could put additional resources to good use in service of the state. Oregon Tech does not object to changes in the funding model which individually or cumulatively result in reductions to our overall funding, if they are grounded in rationality and advance the interest of students and the state. Certain aspects of the current discussion regarding the value, demand dynamics, cost-structure, and importance of supporting STEM programs to improve the lives and livelihoods of women, students of color, low-income and other underrepresented populations are particularly concerning. We look forward to working with the Commission as well as industry and education partners in the STEM and health fields to focus on this important area of investment.

In the same vein, we believe there is insufficient understanding and appreciation for the likely downstream impact of proposed changes in the model on Oregon students in general, and traditionally underrepresented populations, in particular. We request the Commissioners to also review our letter dated November 6, 2020 (appended to this letter) as it goes into some detail on these issues. We reiterate a subset of those concerns below in hopes that the Commission will specifically articulate its intention to rectify these issues at its December meeting as well as in February or at whatever later date a final rule is adopted.

Oregon Tech's Comments on Proposed HECC Action on the SSCM

Specifically, to support the goals of equity, access, and success for Oregon students, we recommend the Commission at its December meeting instruct staff to provide analysis or recommendations to:

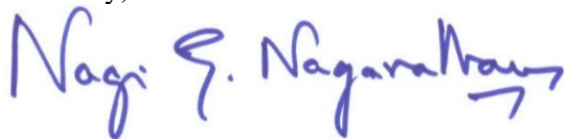
1. Adjust the increase/decrease function for Mission Differentiation so that it eliminates the existing one-sided ratchet that permanently disadvantages the Technical and Regional Institutions (TRUs) who are most reliant on and responsive to state funding;
2. Establish a phased-in approach and a specific mechanism such as a stop-loss/stop-gain system that are gradual, predictable, and responsive to different state budget circumstances;
3. Retain the existing Dual Credit funding system -- this could be embedded within Mission Differentiation or within the Activities section of the SSCM, with a structured funding per credit hour rate at or near the current level to sustain these critical programs that save Oregon families tens, if not hundreds of thousands of dollars a year; and
4. Develop and distribute a multi-biennial funding model tool, similar to those that have been provided during previous funding model development efforts, allowing the Commission and universities to understand the full implication of such a critical policy decision.

The final recommendation regarding the development of a multi-biennial model is a key predicate for the Commission to conduct a reasonable level of due diligence on the distribution of hundreds of millions of dollars in taxpayer funds. Its absence at this stage on a pragmatic level is highly concerning because it does not allow the universities and the Commission, to understand the likely impact of decisions over the medium-term, the result of hand-shake agreements swapping out funding for programs currently embedded in the SSCM to different sources or the intricate interaction of different components within a complex funding model. I am sure the Commissioners will agree that the HECC has a fiduciary obligation to the state in ensuring that the distribution of resources under its care is in alignment with the best interest of the state over the short and long-term. It is not clear whether appropriate tools exist today for this to be predicted and monitored.

As stewards of taxpayer and tuition dollars (scrimped, saved, and borrowed by students and their families) we stand ready to support good decisions and the development of tools which will allow us to plan rationally and proactively to support our students and the long-term stability of Oregon Tech.

We look forward to working with the Commission and staff to bring to fruition a revised SSCM that will serve the long-term interest of the state, its economy, and most importantly its students.

Sincerely,



Nagi G. Naganathan, Ph.D., ASME Fellow
President

cc: David Rives, Chair
Duncan Wyse, Chair, Funding and Achievement Committee
Brian Fox, VPFA, Oregon Tech

Encl: Copy of my letter dated November 6, 2020

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November 6, 2020

Ben Cannon
Executive Director
Higher Education Coordinating Commission
3225 25th Street NE
Salem, OR 97302

Dear Ben,

Re.: Oregon Tech's comments on SSCM Review and Recommendations Report

Oregon Tech is very appreciative of the many hours of work from HECC staff and workgroup members that went into the proposed SSCM recommendations, and in particular, we want to recognize the special efforts of Commissioner Wyse. I understand that it has been repeated many times by the Commissioners that designing and implementing the SSCM is "the most important work" that the HECC does. I think we all agree that with work of such importance comes the responsibility for all of us to understand the downstream impacts of decisions, work through hard tradeoffs, and not leave certain decisions for the next phase.

Unfortunately, at this juncture, Oregon Tech has serious reservations about the incompleteness of the proposed SSCM recommendations and the embedded policy disconnects. While we have amplified on certain topics of concern in the following pages, we wish to propose specific action steps to support a decision making process in line with past HECC practice and that is clearer for all stakeholders. We believe that these action steps should be studied and answered before moving to rulemaking. *Therefore, we request at least a one-month pause to do this work so that staff can return with a complete set of SSCM recommendations and related analysis.*

Oregon Tech is proposing the following four action steps.

1. **Adjust the increase/decrease function for Mission Differentiation** so that it eliminates the existing one-sided ratchet that permanently disadvantages those institutions who are most reliant on and responsive to state funding;
2. **Provide clear recommendations on a phased-in approach and a specific mechanism such as a stop-loss/stop-gain system** that is gradual, predictable, and responsive to different state budget circumstances;
3. **Retain the existing Dual Credit funding system** -- this could be embedded within Mission Differentiation or within the Activities section of the SSCM, with a structured funding per credit hour rate at or near the current level to sustain these critical programs that save Oregon families tens, if not hundreds of thousands of dollars a year; and
4. **Develop and distribute a multi-biennial funding model tool**, similar to those that have been provided during previous funding model development efforts, allowing the Commission and universities to understand the full implication of such a critical policy decision.

Rationale:

During the last three major formula development processes, the HECC has pursued a strategy that works – drive the development process through principles grounded in the outcomes it wishes to see for students, fully develop and answer the policy as well as the technical questions embedded in a functioning analytical model, move into the rulemaking process, and finally adopt the rule. The process being advanced now moves away from this tried and true process into uncharted territory. *When dealing with hundreds of millions of dollars in state funding, in the middle of a global public health crisis, social unrest across the state, a major recession, and state budget shortfalls forecast to stretch for multiple biennia, requiring the universities to navigate additional instability will not help Oregon students.*

Before moving the process to rulemaking, it is important to note that there are major policy decisions which are yet to be vetted as well as incomplete technical work in the proposed SSCM recommendations which will impact the future of Oregon's public universities and their students. By moving forward with an incomplete understanding of the implications of funding policy changes, we believe the HECC would not be exercising its basic duty of care. For that reason, we recommend at least a one-month delay in decision making, to get this done right.

Areas of Concern:

Oregon Tech has been and will continue to be a strong proponent of outcomes-based funding. We believe that institutions and any entity that is a steward of public funds and the public trust should be judged and rewarded based on their effectiveness. Clearly linking outcomes to funding – in this case student completions – aligns the interest of the institutions with the interests of students and our state. The current SSCM has been effective in this regard as highlighted in Staff's presentation.

To be clear, Oregon Tech, despite seeing reductions in the proposal on the table, would like to be supportive of a revision. However, there are too many unknowns in how the revision is designed and proposed to be implemented. Implementation matters. What happens in up-cycles matters. What happens in down-cycles matter, probably even more. And we are definitely moving into a down-cycle.

We recognize the difficulty of predicting the impact of state funding changes and a revision to the SSCM, but it can be modeled. The resulting impact of a revision could be more dramatic when facing multi-biennial budget shortfalls at the state. In turn, this increases the burden for the Commission to analyze and understand the impact of the revision more thoroughly. With the tools at its disposal currently, this cannot be done.

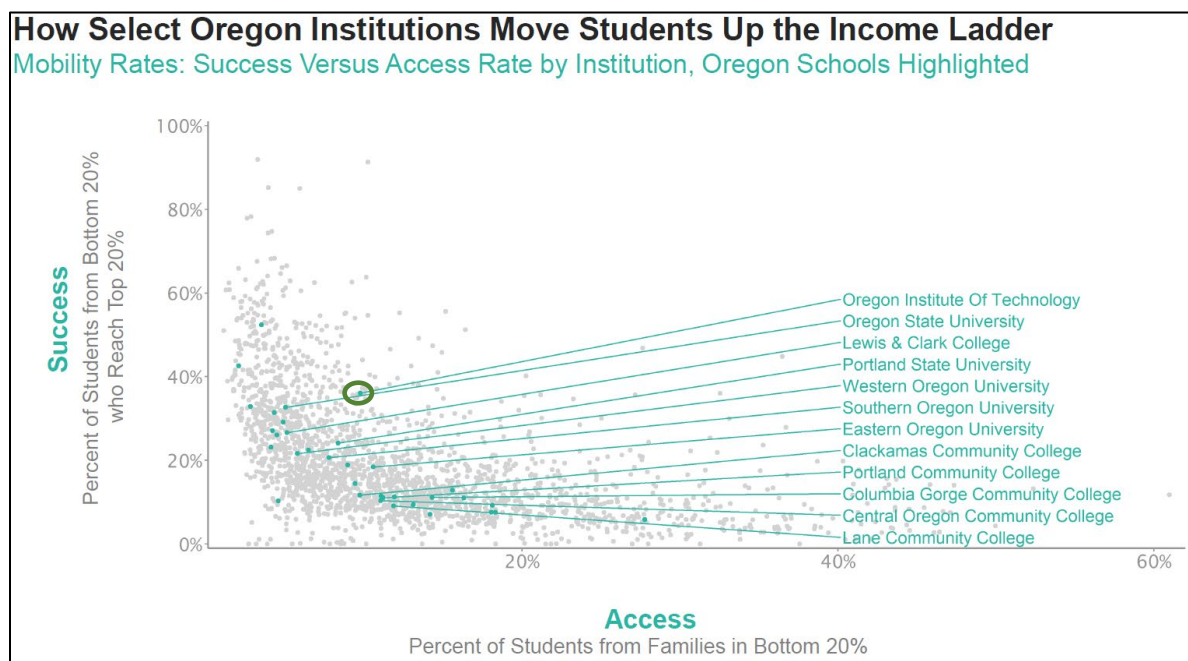
Oregon Tech believes strongly that the staff report being presented to the Commission does not adequately address key areas of concern. This could result in unintended consequences, counter to the interest of the state. The concerns can be grouped into three categories: Funding policy, Implementation, and Due diligence/impact and are outlined below.

Funding Policy

- The current SSCM funding formula utilizes multiple, independent bonus systems to incentivize degrees in areas of focus and importance for the state and historically underrepresented student populations. As shown in the staff's report, the current formula has clearly promoted the growth of STEM degrees. Oregon Tech is supportive of the proposed STEM and Health CIP definition changes because they link to a federal definition and are grounded in national labor market needs. However, we are concerned with the restructuring of STEM bonuses from "multiplicative"

(normalizing incentives for different programs based on their actual cost of delivery) to “additive” (one-size fits all). ***This reduces the STEM bonus by 40% overall and reduces the STEM bonus to Oregon Tech by 70%.*** This does not make sense if the HECC wishes promote equity by increasing intergenerational economic mobility for the most disadvantaged Oregonians. Instead it will promote mission dilution and will encourage universities to step away from high-cost and high-demand programs to those programs with greater margins but that offer much less long-term value to Oregon students.

- We all agree that the total amount of funding available in the PUSF is insufficient and we also know that STEM and Health programs are more expensive and capital intensive. By reducing funding for these programs so dramatically, the impact will be higher tuition and less access for students. ***Decreasing funding for STEM and Healthcare programs will directly counter HECC's Equity Lens and negatively impact intergenerational economic mobility of BIPOC, low-income, and first-generation students.*** It is concerning that a policy recommendation of the Commission would disproportionately impact an institution like Oregon Tech who is an outlier in terms of fostering economic mobility for our students according to the HECC's own research (see slide from the October 2019 Opportunity Insights report to the Commission below).



- Oregon Tech is supportive of shifting the Statewide Public Services Maintenance (SWPS) and Veterinary Diagnostic Lab (VDL) at Oregon State University from the PUSF to State Programs. It is our understanding that as a part of adoption of these recommendations, or separately through staff, the HECC has already endorsed or will endorse such an action. We believe this creates additional clarity in the funding model and properly shifts what are, in essence, state programs to State Programs funding. However, we are highly concerned that the limited financial modeling available to the Commission and to the universities assumes that the approximately 3.5 million dollars currently allocated to these programs would be redistributed through the SSCM. It is disingenuous to not account for this shift in its modeling of SSCM changes, if the HECC is indeed supporting it. If the HECC does not support this one-for-one swap it should clearly articulate that. ***The assumption that SWPS and VDL dollars will be redistributed through SSCM artificially inflates the funding for all institutions in the available modeling and does not provide an accurate or clear picture of the actual impact of proposed changes.*** If the funding is not redistributed through SSCM, each TRU would likely see \$100K-\$200K less

funding per year and the larger universities may see a \$600K-\$900K reduction per year. This is material in nature and is not reflected in the limited financial modeling available.

- Shifting specific funding for Dual Credit programs from Mission Differentiation at approximately \$50-\$55 per credit hour to the Activities portion of the funding model at approximately \$20-\$25 per credit hour will have a profoundly negative impact on Oregon’s K-12 students when they can least afford it. Dual Credit funding was structured the way it is today to level the playing field between universities and community colleges and keep these critical programs viable. Oregon Tech has built a considerable dual credit program focused on STEM and Health programs in high schools across the state, in many cases focusing on low- and moderate-income communities. This program breaks even at best and only because it is supported by the guaranteed credit hour funding that exists today. ***Eliminating the existing funding stream for Dual Credit programs and reducing the total funding for these critical access programs would make these programs unsustainable for most universities, and certainly, for Oregon Tech.***

Our Dual Credit program provides opportunities for nearly 1,300 students to take college-level courses in rigorous fields each academic term while they are in high school, thus proving to themselves and to their families they are capable of being successful in college. Whether these students go on to attend Oregon Tech or not, we know that the students’ experiences in our dual-credit programs do make them feel confident that they can and will succeed in college.

As an example, we tracked 1,839 Oregon Tech dual-credit students from the 2015-16 academic year through the clearing house. Of these students, all but 154 went on to attend two- or four-year colleges. Importantly, 82% of them went to two- and four-year institutions in Oregon. That is a success story not just for the students, but also for their families and Oregon. ***Many of the students participating in Dual Credit come from low-income and under-represented communities. If the funding model is amended as proposed, these deserving students will lose this success pathway.*** Again, this is directly counter to the HECC’s Equity Lens and negatively impacts access and attainment of BIPOC, low-income, and first-generation students.

- The current recommendation includes the following mechanism for changes in Mission Differentiation funding levels, which is consistent with the current rule: “[Mission Differentiation] will continue to grow by the lesser of inflation or the growth in the overall funding for the PUSF.” HECC Staff has consistently stated that the current formula provides some downside protection because of how Mission Differentiation is structured within the model. This one-sided ratchet has never been tested before as the PUSF has grown every year since implementation. This growth is unlikely to continue next biennium and in future biennia. For the four institutions who are most reliant on state funding – Eastern Oregon, Oregon Tech, Southern Oregon, and Western Oregon – this structure will create disproportional losses when stability is needed most. The table shows the impact of the changes in SSCM funding on the TRUs and other universities. The numbers are based on HECC data and the existing SSCM model (shared in April). It is evident that ***changes in SSCM funding have a clearly disproportional impact on the TRUs in any downside scenario, and at an increasingly negative rate as cuts worsen.***

Impact of State Funding Changes			
Change in PUSF	TRU Avg	Non-TRU Avg	
-6%	-1.7%	-1.4%	
-12%	-4.2%	-2.7%	
-18%	-6.7%	-4.0%	
-24%	-9.3%	-5.3%	

We know it is not the HECC’s desire to impose higher risk on the institutions that have the largest proportion of resident students and serve primarily under-represented student populations. Some of these institutions are also located in rural and frontier communities and are most reliant

on and most responsive to state investment. Because of this we propose adjusting this funding structure to better reflect Commission's previous direction and expressed priority for stability and predictability in Mission Differentiation.

Implementation

- The staff report recommends the proposed adjustments be phased-in, but there is no recommendation in the staff report about how and at what rate the proposed adjustments should be phased in. The universities are being asked to support a significant shift in funding without understanding the pace of change and without the tools to model its impact over time. ***This lack of a planning and modeling of the impact of SSCM revisions over multiple biennia and different funding levels creates too many unknowns to move forward at this time.*** The Commission should have a clear understanding of how its decisions will impact the various institutions and most importantly, Oregon students. There is much work to do here, and unfortunately it is left undone before bringing a staff recommendation to the Commission. Because the current funding model has only been in operation during up-budget cycles, we simply do not know how the previous stop-loss/stop-gain system will function when the PUSF is seeing reductions. We do not know what levels of stop-loss/stop-gain make sense in the dynamic budget environment we are currently in, because we lack the tools to model it. The Oregon Office of Economic Analysis is forecasting budget gaps for at least the next three biennia. How should we layer on cuts after cuts? We believe this is a major policy and implementation question that remains undebated and unanswered. Before moving into rulemaking, clarity must be reached.

Due Diligence/Impact

- For several months now, there have been requests for a fully functional multi-biennia funding model similar to the one that currently exists for the SSCM. However, to the best of our knowledge, no such model has been built and made available to help the institutions or the Commission to study the proposed changes for different budget scenarios. This means we do not know how quickly we should implement, what will happen in up scenarios or down, and importantly whether the policy recommendations currently modeled are technically correct and representative of the desires of the Commission. Errors do happen, despite the best of intentions. ***Before moving forward into rulemaking, the HECC should act with proper care given its fiduciary obligation to the state in allocating hundreds of millions of taxpayer dollars and conduct due diligence on the impact of its policy proposals.*** To be clear, work has been done to mockup impacts of changes as if they had occurred this biennium. That is a good start. But that does not allow universities or the Commission to understand the full impact of changes. This is a step that has been taken in advance of rulemaking by the Commission during the last three university formula development and implementation processes – the first SSCM and two iterations of ETSF changes – it should be repeated here.

Summary and Steps Forward

Oregon Tech has been and will continue to be a stalwart supporter of outcomes-based funding. It makes sense to align funding with degree outcomes and to do so in a way that provides additional resources to students from traditionally under-represented backgrounds and to programs that provide pathways to middle- and high-income careers for these students.

However, the recommendations as proposed are incomplete and lack sufficient detail to move forward. Significant additional work remains. This work should first be done in an iterative and inclusive process and not advanced to rulemaking at this time with so much still on the table. We

understand the Commission is eager to put this work behind them. We are too, but expedience at the cost of thoroughness is too high a price.

Though we have outlined several policy concerns, we fully accept that we cannot all get what we want and are willing to accept reductions in funding that are grounded in policy rationale and planned with due care. We do not object to reductions in funding for Oregon Tech. That said, there are several areas which we do not believe represent the policy priorities of our state or of the Commission. Hence, ***we respectfully request the Commission postpone adoption until at least December*** and instruct staff to pursue the following in consultation with the institutional partners and come back with analysis and recommendations.

1. **Adjust the increase/decrease function on Mission Differentiation** funding so that it eliminates the existing one-sided ratchet that permanently disadvantages those institutions who are most reliant on and responsive to state funding;
2. **Provide clear recommendations on a phased-in approach and a specific mechanism such as a stop-loss/stop-gain system** that is gradual, predictable, and responsive to different state budget circumstances;
3. **Retain the existing Dual Credit funding system** -- this could be embedded within Mission Differentiation or within the Activities section of the SSCM, with a structured funding per credit hour rate at or near the current level to sustain these critical programs that save Oregon families tens, if not hundreds of thousands of dollars a year; and
4. **Develop and distribute a multi-biennial funding model tool**, similar to those that have been provided during previous funding model development efforts, allowing the Commission and universities to understand the full implication of such a critical policy decision.

We thank you for your consideration of the above and look forward to working with the Commission and the staff to create a sustainable pathway in support of Oregon's students. Please feel free to contact me or our VPFA, Brian Fox, if you have any questions.

Sincerely,



Nagi G. Naganathan, Ph.D., ASME Fellow
President

cc: David Rives, Chair
Duncan Wyse, Chair, Funding and Achievement Committee
Brian Fox, VPFA, Oregon Tech
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