

Docket Item

Budget Development Process Update

Summary

Four pillars to the agency request budget (ARB) have been identified. Budget instructions have been released by DAS with no change to the state's deadline. Uncertainty persists as an updated economic forecast that incorporates the COVID-19 pandemic won't be available until May. Budget and capital request instructions have been provided to the institutions, and as a result of COVID-19 response activities, deadlines for the institutions have been pushed back to April 30, 2020.

Docket Material

Overview

With commission guidance and stakeholder feedback, we have identified four pillars to include in our agency's funding request. This is not all inclusive and does not include the agency's operating budget. The pillars include:

Need-based Aid – an investment in need-based financial aid programs for students primarily driven by the Oregon Opportunity Grant; this could include a funding level consistent with the shared responsibility model as a way of creating a college going culture; this could also include other affordability related policy work on student debt relief and programs designed to help families save for college

Institutional Support – a baseline budget that avoids further cost shifting to students while providing a level of funding necessary to keep annual tuition increases at or below 5%

Equity Investments – investments in programs and tools for supporting our most vulnerable students, propelling equity in serving underrepresented student populations

CTE Investment – funding for career training and education programs in the community colleges to address workforce oriented programs for adult learners

Budget Instructions and Deadline

The state’s budget instructions were released by DAS in mid-March. The deadline for our ARB remains unchanged as September 1, 2020. An updated economic forecast that incorporates the COVID-19 pandemic will be available in May.

As a result, the overall ARB/Legislative Concept Development Schedule remains largely unchanged and includes the following planned milestones:

Feb/March 2020	Present concepts to various stakeholder groups for input
April 2020	Provide overview and receive input from HECC commission
May 2020	Finalize policy packages and submit bond financing forms
June 2020	Approve reduction options/program prioritization
August 2020	Present FY2021-23 Budget to Commission

The interaction with institutional stakeholders is largely unchanged at this time as well. To complement the schedule above, the milestones include:

Date	Meeting	Event
May 2020	F&A meeting	Institutions present consolidated funding requests
June 2020	F&A meeting	Staff presents recommendations for PUSF, CCSF and capital
August 2020	Commission meeting	Commission considers ARB

Institutional Budget Guidance

Guidance was provided to the institutions in early March consistent with past practice. The full guidance is included in the appendix. A deadline was established for mid-April.

They were asked to identify the cost of maintaining the status quo. Specifically, they were asked what level of state investment would be needed to maintain similar levels of programs and learning outcomes for Oregon resident students. The difference between that level of investment and the current biennium’s funding amount would be the incremental funding.

The institutions were asked to provide information on five different funding scenarios including:

- No change in total funding.
- A 10% decrease to incremental funding
- A 10% increase to incremental funding
- A 20% increase to incremental funding
- Tuition/fee increases capped at 5% annually

Capital Requests

Guidance for capital requests was provided to the institutions in early March. Using the existing rubric, guidance was similar to that provided in October in preparation for the 2020 short session. The institutions were given a deadline of mid-April.

Some of the projects forwarded by the HECC to the Legislature in December were adopted by the Ways and Means Capital Subcommittee. The institutions have been encouraged to submit projects either not adopted in the subcommittee report or entirely new to the process.

Because the institutions have been thoroughly engaged in COVID-19 response activities, the deadlines have been pushed back to April 30, 2020. In an effort to more effectively manage workload, a two new project limit has been applied to the universities. Since the ARB deadline remains unchanged, it is still our intent to present staff recommendations at the June F&A meeting.

Staff Recommendation

No recommendation. Discussion only.

Appendix – Budget Guidance for the Institutions

March 10, 2020

Dear Colleague:

We are looking forward to working with you over the next several months on the development of the State of Oregon's 2021-23 budget for post-secondary education. This letter does not address the development of capital requests. Guidance has been issued separately for that purpose.

Our efforts to build this budget will involve ongoing conversations with you and other institutional leaders between now and legislative action in 2021. Let this letter, and the related request, serve as the beginning of a conversation that will undoubtedly evolve over time. We intend for the information you provide to help the HECC understand your institution's circumstances, as well as the potential consequences of state investment choices.

While a unified response on behalf of all seven public universities is being requested, institution-specific context and information supporting that unified request will remain a valuable resource for the Commission during the development of its 2021-23 budget request.

In order to most effectively support the Legislature's decision making process on behalf of Oregon taxpayers and students who seek a strong return on their investments in higher education – we believe it will be necessary for the HECC to describe to the Governor, legislators, and the public, more clearly than has been described before, the relationship between state investments, affordability, and student outcomes.

We appreciate that to answer the questions attached will require you to make assumptions about a variety of external factors over which you may have little or no control and will require assumptions on certain decisions that ultimately will be the purview of institutional governing boards, not institutional administration or the HECC. Given these unknowns, we are not asking you to make commitments to a particular course of action; rather, we are asking you to help us develop the modeling that will be necessary for the HECC, the Governor, and the Legislature to understand what is possible under different state investment scenarios.

We would like to receive your institution's responses to these questions by Monday, April 13, 2020. Please address your responses, your budget request, and any questions to jim.pinkard@state.or.us.

We know there are many other high-priority demands on your time. Please accept our appreciation for your engagement in this effort and your thorough and thoughtful response.

Section 1: Development of the Public University Support Fund¹ Request

A. To establish the cost of maintaining the status quo:

1. What amount of state resources are projected to be needed in the 2021-23 biennium to maintain similar levels of programs and learning outcomes for Oregon resident students as in the current biennium? Please assume enrollment (resident and non-resident) and tuition remain at 2019-20 levels.²
2. Please itemize the major cost drivers behind your answer in A1 above, indicating the approximate contribution in dollars that each makes to the total (for example, general inflation, salary and benefit roll-ups, other contract obligations, planned contributions to reserve funds, etc.). This information should be consistent with what is provided to comply with HB 3288 (2017) requirements.
3. Please provide five years of historical E&G fund revenue and expenditure data by major category (i.e. for expenses please include wages, health insurance, PERS, other OPE, services & supplies, and other).

B. To establish the impact of a variance from the status quo:

For each of the five scenarios listed below, please provide the following information:

- Identify and elaborate on the strategies each institution would employ as a result noting how each institution would safeguard access and support for degree completion by historically underrepresented students.
 - Detail the investments or disinvestments each institution would make. This should include the likely impact on each institution’s E&G fund balance, potential use of reserves and likely budget cuts.
 - Quantify the impact to key educational, public service, and research activities to include at a minimum the impact to student outcomes, access, affordability, and underrepresented populations for each institution.
 - Provide an annual E&G pro forma through FY2023 that includes projected revenues, expenses and changes in fund balance. Describe the likely annual impact on tuition and fees by category (resident versus non-resident) for each institution.
1. **No change in total funding** for the PUSF. That is to say, the total funding for the PUSF in 2021-23 would be the same as the funding for the PUSF in the current biennium. For this exercise, institutions can assume the same amount of PUSF funding they will receive during FY2020.
 2. **A 10% decrease to the incremental funding** required to maintain the status quo, as identified in the calculation of the answer to A1.
 3. **A 10% increase to the incremental funding** required to maintain the status quo, as identified in the calculation of the answer to A1.

¹ For public universities, the focus here is on the Public University Support Fund, which will be allocated using the Student Success and Completion Model (SSCM). It does not include statewide public services, state programs, or one-time, or lottery funding.

² This question is designed to elicit the baseline case. As a result, it holds most variables constant, including inputs (tuition, enrollment, student profile) and outputs/outcomes (program levels, learning outcomes). It assumes that the state bears the entirety of any added costs.

4. **A 20% increase to the incremental funding** required to maintain the status quo, as identified in the calculation of the answer to A1.
5. **Tuition/fee increases capped at 5%.** The 2021-23 funding level needed to contain tuition/fee increases for resident, undergraduate students to no more than 5% per year.

Section 2: Development of Non-PUSF Requests

For 2021-23 budget requests that do not involve adjustments to formula-driven funding streams, please provide the information requested below:

C. For those programs NOT subject to a proposed expansion, reduction, or elimination:

1. Please provide the 2021-23 appropriation necessary to maintain current program operations and outcomes.

D. For those programs subject to a proposed expansion, reduction, or elimination:

1. Describe the nature of the request. Provide a description of the program the funding request supports, the clients it serves and the frequency at which those clients receive service. Describe the purpose of the program and how it achieves that purpose. Describe how the program is delivered and what partners are necessary to guarantee success of the program.
2. Identify the amount requested, by fund type, and the number and classification of positions and staff FTE requested, if any. Provide explanation for any costs not directly related to positions and position-driven services and supplies.
3. Explain how the request will advance the 40/40/20 goal, if appropriate. Include the impact of the request on the 40/40/20 goal, including the timeframe when the results will be measurable.
4. If the request is not related to 40/40/20, explain what other state goal(s) will be advanced by the request. Include the impact of the request on the goal(s), including the timeframe when the results will be measurable.
5. If the request is not related to a state goal, explain what institutional/agency goal(s) will be advanced by the request. Include the impact of the request on the goal, including the timeframe the results will be measurable.
6. Indicate if the request requires or supports proposed statutory changes.
7. Describe any non-state revenues that support the program. Include a description of leveraged funds and the nature of how Oregon qualifies to receive the additional resources (competitive grant, federal matching program, private donation, performance bonuses, etc.). If the program has a dedicated funding stream, describe the dedicated source and the nature of the dedication (constitutional or statutory) providing legal citations to the dedication.
8. If the request involves establishing or increasing fees, indicate the existing fees, the proposed fees, and the impact on revenue in the 2021-23 biennium.