



PUSF and CCSF Recommendations for 2021-23

Postsecondary Finance and Capital

June 2020

Overview

Setting the Stage

CCSF Recommendations

PUSF Recommendations

Additional Context

Interim Guiding Principles

- Postsecondary education and training are central to Oregon's return to strength and prosperity
- Affordability and access to postsecondary education and training require investments of state funding
- Equity must be central to all we do
- To achieve our shared goals, we must all commit to collaborate and work together in new ways

Public Investment in Oregon Higher Education

From 2014-2019, public funding per FTE increased 40% (12% nationally)

One of seven states that recovered to pre-recession levels

Funding per student of \$6,703 is below national average of \$8,196

31st in nation

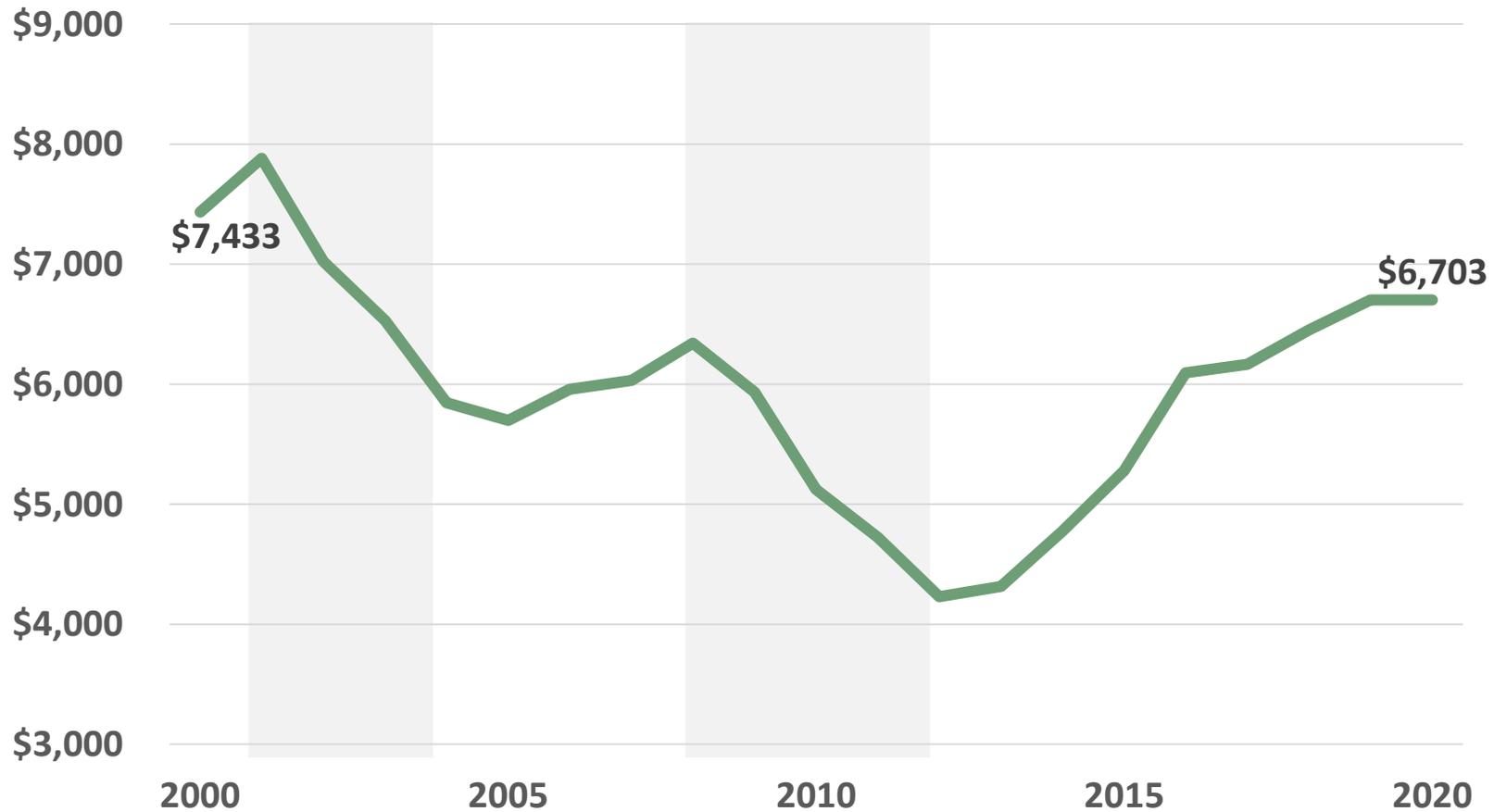
18% below national average

Recovered to pre-recession level

Note: Includes all state and local support for public higher education operating expenses, excluding financial aid for students attending independent or out-of-state institutions, research, hospitals, and medical education.

After Two Economic Recessions

When adjusted for inflation, a 10% reduction in per FTE funding since 2000.



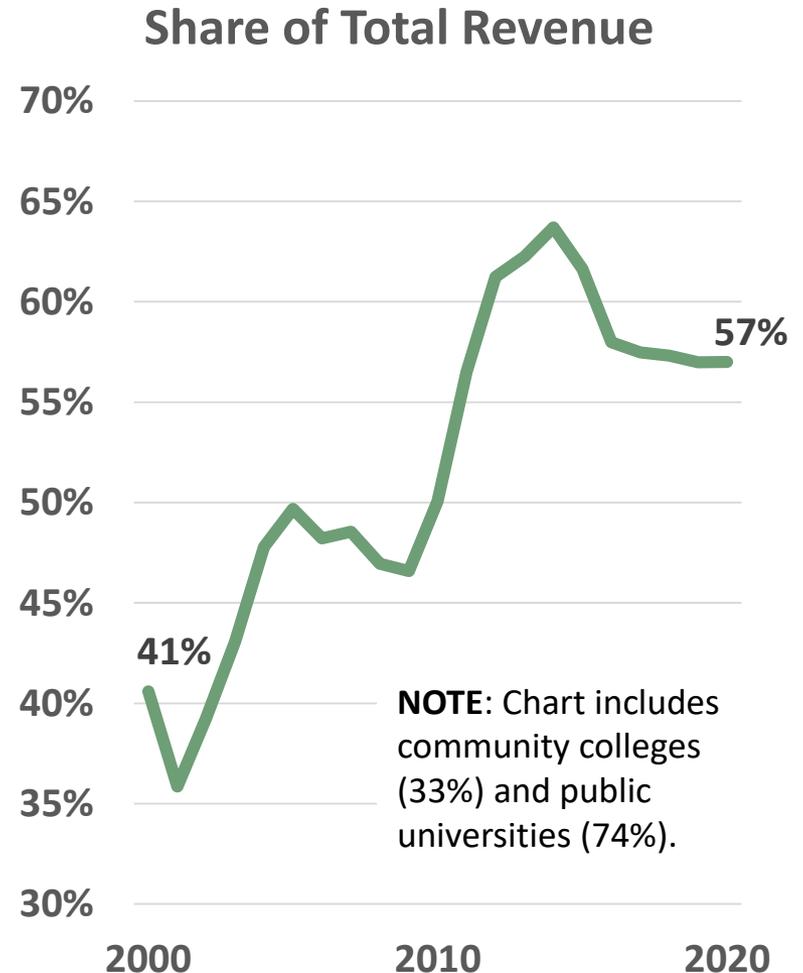
Note and source: see prior slide.

The Impact of Tuition and Fees

From 2009-2019, net tuition and fee revenue increased 72% (38% nationally)

Net tuition and fee revenue per student of \$8,883 is above national average of \$6,902

Tuition and fee revenue is 57% of total revenue compared to 46% nationally



Note: Total revenue includes tuition, fees, and public appropriations.

Source: [2019 State Higher Education Finance \(SHEF\) Report](#), Tables 3.4 and 3.5.

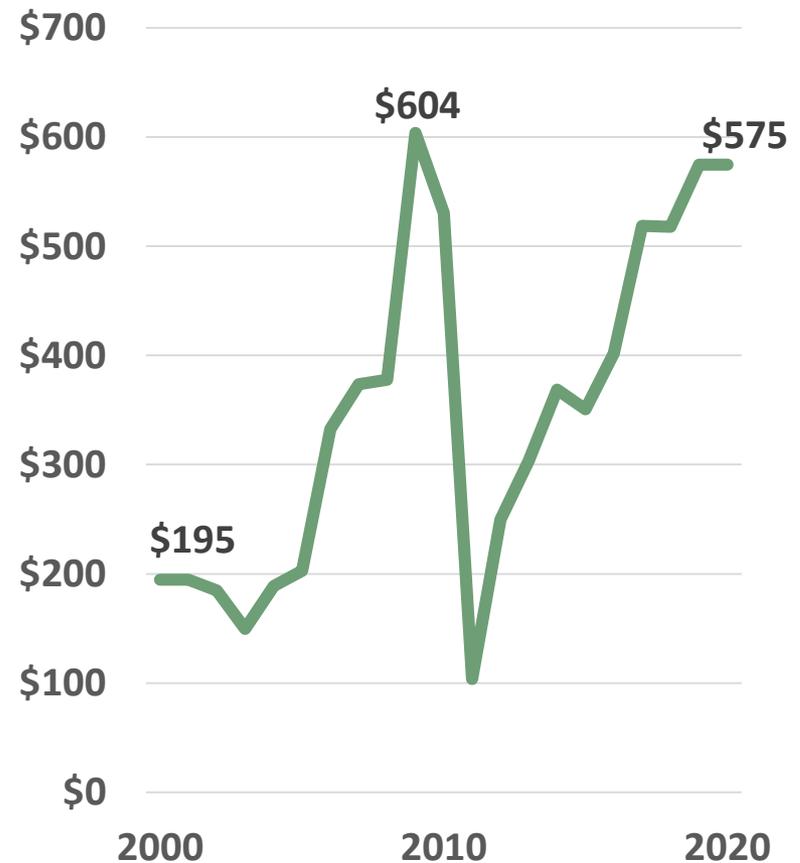
Financial Aid Funding

From 2014-2019, state financial aid per FTE increased 56% (22% nationally)

State financial aid funding per student of \$575 is 29% below national average of \$808

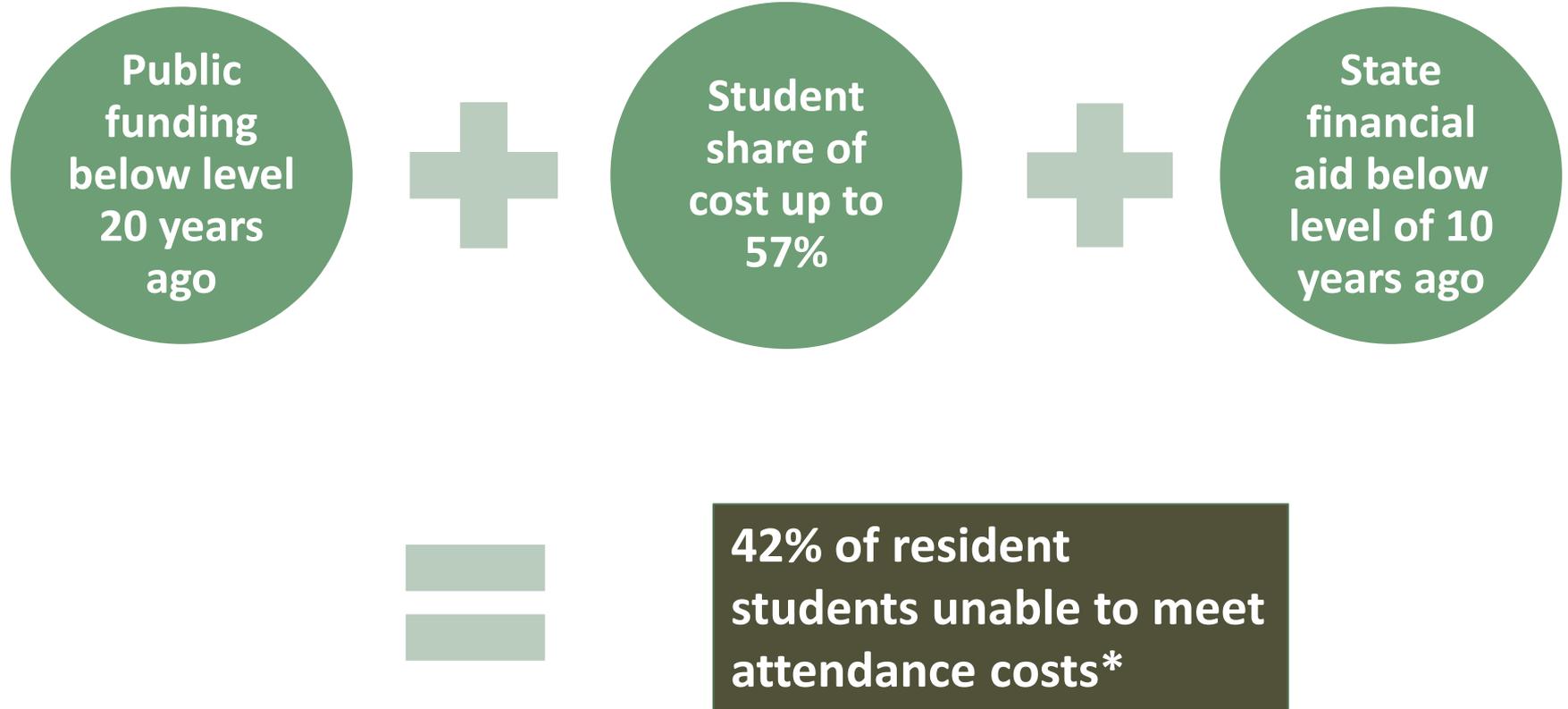
Down 5% in the past decade when adjusting for inflation

Funding per Student
(inflation adjusted)



Source: [2019 State Higher Education Finance \(SHEF\) Report](#), Table 3.3

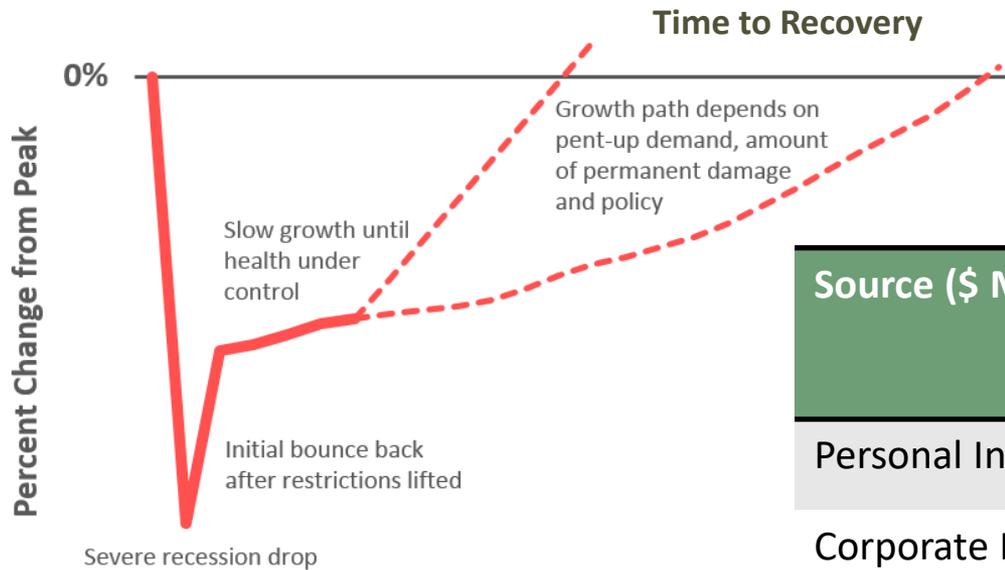
Effect on Affordability



*For students who have applied for financial aid; after accounting for family contributions, financial aid and student earnings; 42% for all students which is 31% for community college students and 60% of public university students

Economic and Revenue Forecast – June 2020

COVID-19: The Square Root Recovery?



Source: Oregon Office of Economic Analysis

Revenue Forecast

Source (\$ Millions)	2019-21	2021-23	2023-25
Personal Income Taxes	-1,588	-3,231	-2,429
Corporate Income Taxes	-233	-137	-118
Other General Fund	-108	-152	-140
Lottery, Corporate Activity, Marijuana	-769	-864	-694
Total	-2,698	-4,384	-3,381

2019-21 General & Lottery Funds = \$23,669 million

Funding Recommendations Overview

Focuses on education and general (E&G); no auxiliary or other activity

Base funding is the amount needed to offer existing programming

Base funding assumes no new programs, staff or additional enrollment

Transformative changes are not yet evident

Community College Support Fund (CCSF)

The institutional support funding vehicle for the community colleges

An enrollment driven formula that focuses on four core principles:

- **Access** – funding follows the student; based on funded FTE
- **Quality** – adequate funding per student; growth management
- **Equity** – equalization of public resources; includes property taxes
- **Stability** – includes a base payment and 3 year, weighted average

Process Notes – Community Colleges

- Looked at a number of funding scenarios with increases and decreases ranging from -24% to +24%
 - When total funding in the formula changes, the funding per FTE at each institution changes by the same dollar amount
 - Due to total public resources (TPR) approach, the proportional impact is different based on each institution's mix of state funding and property tax revenue
- Collected information on 8.5% reduction in current biennium as part of DAS exercise

Community Colleges – E&G Expenses

Expense Category	2019-21 estimated	2021-23 estimated	Variance	
Salary and Wages	984,722,592	1,038,937,337	54,214,745	5.5%
Health Insurance	162,135,478	170,707,689	8,572,211	5.3%
Retirement	209,360,962	239,559,245	30,198,283	14.4%
Services and Supplies	199,484,436	209,883,006	10,398,570	5.2%
Other Expenses	135,028,711	136,315,378	1,286,667	1.0%
Total Expenses	1,690,732,179	1,795,402,654	104,670,475	6.2%

Notes and Assumptions

Assumes existing staffing levels before pandemic.

Salaries and wages are based on negotiated rates and expected increases.

Health insurance and retirement are based on PERS advisory rates (12/2019).

Services and supplies levels are based on expected inflation.

Other expenses include fund transfers, sales and services, etc.

Community Colleges – E&G Revenues

Revenue Category	2019-21 estimated	2021-23 estimated	Variance	
State Appropriations	641,386,996	701,814,992	60,427,996	9.5%
Property Taxes	393,308,780	420,255,348	26,946,568	6.9%
Net Tuition and Fees	519,625,863	547,224,492	27,598,629	5.3%
Other	120,461,894	126,107,823	5,645,929	4.7%
Use of Fund Balance	15,948,646	-	(15,948,646)	(100%)
Total Revenues	1,690,732,179	1,795,402,654	104,670,475	6.2%

Notes and Assumptions

Property taxes are based on assumed growth rate in assessments.

Tuition and fee revenue growth is limited to average annual increases of 3.5%.

Other revenues are assumed to grow at historical rates.

No use of fund balance in the upcoming biennia.

The resulting biennial state funding growth is 9.5% based on these assumptions

Potential Funding Scenarios – CCSF

A Range of Options for Consideration

Reductions	Current	CSL	Base Funding
-8.5% to \$586.4M	\$640.9 million	+5.4% to \$675.4M	+9.5% to \$701.8M
Annual tuition increases above 10%.	Use of fund balances ongoing	Annual tuition increases of 4-6%	Annual average tuition increases of 3.5%
Use of fund balance.	Annual tuition increases of at least 7%	Potential use of fund balances	No use of fund balance
Reduction of programs; layoffs, furloughs and other staffing reductions	Program reductions, layoffs, furloughs and other staffing reductions.	Potential staffing adjustments or program reductions.	No new programs or staffing increases.
Magnitude and mix of actions dependent on reduction amount			

Community College Innovation Fund

Competitive grant fund of \$35 million

- Emphasis on innovative approaches to overcoming limitations of remote delivery
- Successful practices shared statewide

To increase equity in outcomes via new methods and technologies

Measured by disaggregated data:

- Retention rates
- Certificate and degree production
- Successful transfer

Statewide ecosystem to increase upward mobility through innovations

Examples:

- Retooling CTE
- Designing remote student supports
- Improved credit transfer

Public University State Funding

The public university support fund (PUSF) is the main institutional support funding vehicle for the universities.

The student success and completion model (SSCM) is used to distribute funding in the PUSF.

- **Mission Differentiation** – used to support the various missions
- **Access** – provides funding for completed credit hours
- **Completion** – provides funding to incentivize student completions

Statewide public services (i.e. agricultural extension service) and state programs are also funded for public universities.

Process Notes – Public Universities

- Looked at a number of funding scenarios with increases and decreases ranging from -24% to +24%
 - Mission differentiation funding provided a “shock absorber” for the TRUs during reductions but the effect was reduced during extraordinary reductions (i.e. >10%)
- Participated in workgroup with DAS, LFO, Oregon Council of Presidents, and institutional representatives to better understand base funding level
- Collected information on 8.5% reduction in current biennium as part of DAS exercise

Public Universities – E&G Expenses

Expense Category	2019-21 estimated	2021-23 estimated	Variance	
Salary and Wages	1,841,020,452	1,974,528,449	133,507,997	7.3%
Health Insurance	375,881,095	411,252,023	35,370,929	9.4%
Retirement	411,116,614	487,180,253	76,063,639	18.5%
OPE Other	251,806,777	270,588,722	18,781,946	7.5%
Services and Supplies (+all other)	809,030,077	842,773,477	33,743,401	4.2%
Total Expenses	3,688,855,014	3,986,322,925	297,467,911	8.1%

Notes and Assumptions

Assumes existing staffing levels before pandemic.

Salaries and wages are based on negotiated rates and expected increases.

Health insurance and retirement are based on PERS advisory rates (12/2019).

Services and supplies levels are based on expected inflation.

Other expenses include fund transfers, sales and services, etc.

Public Universities – E&G Revenues

Revenue Category	2019-21 estimated	2021-23 estimated	Variance	
State Appropriations	885,302,160	957,011,635	71,709,475	8.1%
Net Tuition and Fees	2,380,839,308	2,572,999,518	192,160,210	8.1%
Other	321,457,156	345,798,188	24,341,032	7.6%
Use of Fund Balance	101,256,390	110,513,585	9,257,195	9.1%
Total Revenues	3,688,855,014	3,986,322,925	297,467,911	8.1%

Notes and Assumptions

State funding grows 8.1% and net tuition/fee revenue grows 8.1%.

Use of fund balances of 2.9% (\$110.5M). Ranges from 1% to 8% by institution.

Annual tuition and fee increases of 4.4% including resident and non-resident.

If non-resident tuition were capped at 3%, annual resident tuition would rise 4.6% to 7.3% by institution. Most would be at/below 5.2%.

Public Universities – Scenario B

Revenue Category	2019-21 estimated	2021-23 estimated	Variance	
State Appropriations	885,302,160	957,011,635	71,709,475	8.1%
Net Tuition and Fees	2,380,839,308	2,591,646,486	210,807,178	8.9%
Other	321,457,156	345,798,188	24,341,032	7.6%
Use of Fund Balance	101,256,390	91,866,617	(9,389,773)	(9.3%)
Total Revenues	3,688,855,014	3,986,322,925	297,467,911	8.1%

What happens if the use of fund balance is lowered by allowing for slightly higher tuition increases?

Assuming tuition increases of 4.9% per year, the deficit is 2.4% or \$92M.

The use of fund balance would decrease to \$92M and range from 0% to 7% by institution.

If non-resident tuition were capped at 3%, annual resident tuition would rise anywhere from 5.2% to 8.8% by institution. None would be below 5.0%.

Public Universities – Scenario C

Revenue Category	2019-21 estimated	2021-23 estimated	Variance	
State Appropriations	885,302,160	986,721,386	101,419,226	11.5%
Net Tuition and Fees	2,380,839,308	2,543,289,766	162,450,458	6.8%
Other	321,457,156	345,798,188	24,341,032	7.6%
Use of Fund Balance	101,256,390	110,513,585	9,257,195	9.1%
Total Revenues	3,688,855,014	3,986,322,925	297,467,911	8.1%

How much state funding is needed if tuition is capped at annual increases of 4% for resident students and 3% for non-resident students?

Use of fund balances of 2.9% (\$110.5M). Ranges from 1% to 8% by institution.

An additional 3.5% (\$29.7M) PUSF contribution would be needed for a total increase of 11.5% in state funding.

The state share increases by 1%.

+1% state share = +3.5% PUSF (\$29.7M)

Potential Funding Scenarios – PUSF

A Range of Options for Consideration

Reductions	Current	CSL	Base Funding
<p>-8.5% \$765.8M</p>	<p>\$836.9 million</p>	<p>+5.4% to \$881.9M</p>	<p>+8.1% to \$904.7M</p>
<p>Annual tuition increases of 10-25% for resident, undergraduate tuition</p>	<p>Use of fund balances ongoing</p>	<p>Significant tuition increases on most campuses; reduced affordability</p>	<p>Would allow most universities to keep tuition at or below 5%</p>
<p>Potential reduction of programs; layoffs, furloughs and other staffing actions</p>	<p>Existing enrollment declines for some</p>	<p>Potential use of fund balances</p>	<p>Preserves affordability and student support investments</p>
<p>Magnitude and mix of actions dependent on reduction amount</p>	<p>Program reductions and other actions already taken</p>	<p>Potential program cuts and longer graduation times</p>	<p>Maintains progress toward statewide goals</p>

Funding Recommendations – Base Funding

(Amounts in \$ Millions)	2019-21	2021-23	Variance	
CCSF CSL	\$640.9	\$675.4	\$34.5	5.4%
POP - Affordability			\$26.4	4.1%
POP - Investment			\$35.0	5.4%
TOTAL CCSF	\$640.9	\$736.8	\$95.9	15.0%
PUSF CSL	\$836.9	\$881.9	\$45.0	5.4%
POP - Affordability			\$22.8	2.7%
TOTAL PUSF	\$836.9	\$904.7	\$67.8	8.1%

Funding Recommendations – Continued

(Amounts in \$ Millions)	2019-21	2021-23	Variance	
State Programs*	\$41.6	\$45.0	\$3.4	8.1%
Statewide Public Services*	\$138.3	\$149.5	\$11.2	8.1%
TOTAL Programs	\$179.9	\$194.5	\$14.6	8.1%
TOTAL Universities	\$1,016.8	\$1,099.2	\$82.4	8.1%
TOTAL Funding	\$1,657.7	\$1,836.0	\$178.3	10.8%

*2019-21 amount includes phase-outs

Additional Context

1

ARB will include a 10% reduction to current funding as part of the process

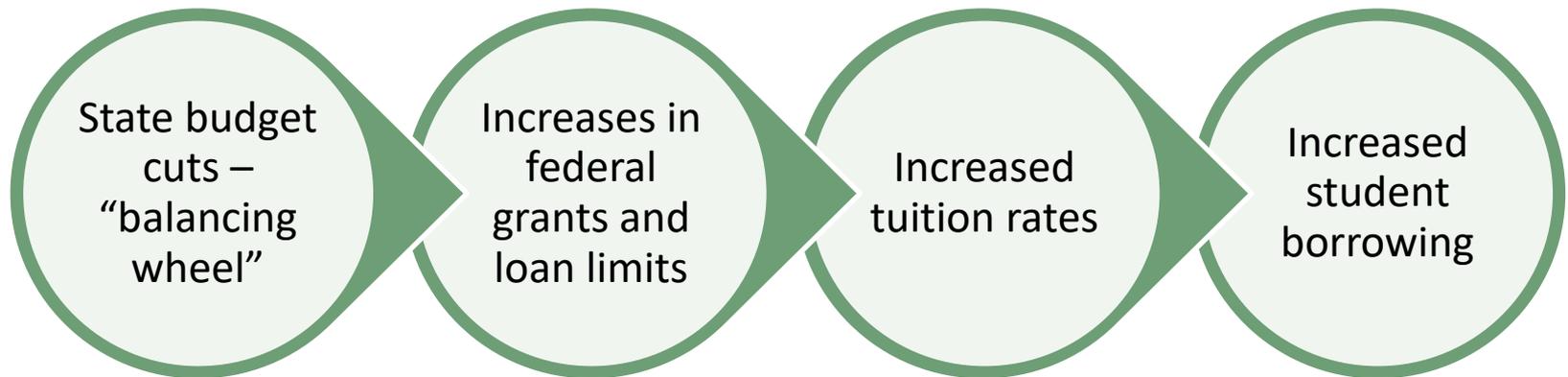
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A more user-friendly budget and policy recommendations document can lay out the dynamics behind the request

3

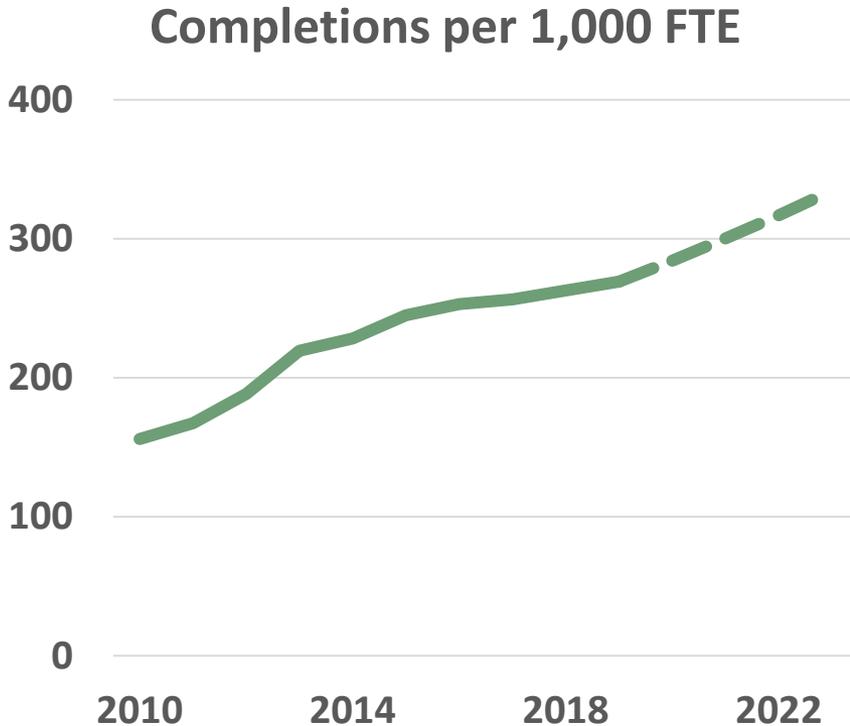
The erosion of affordability will accelerate if tuition increases continue at similar rates and without transformative change

After the Great Recession...



Most states disproportionately cut higher education funding to balance other areas of government leading to higher tuition rates, increased student borrowing, and eroding affordability.

Base Funding - Completions



The number of annual completions has grown 43% since 2010.

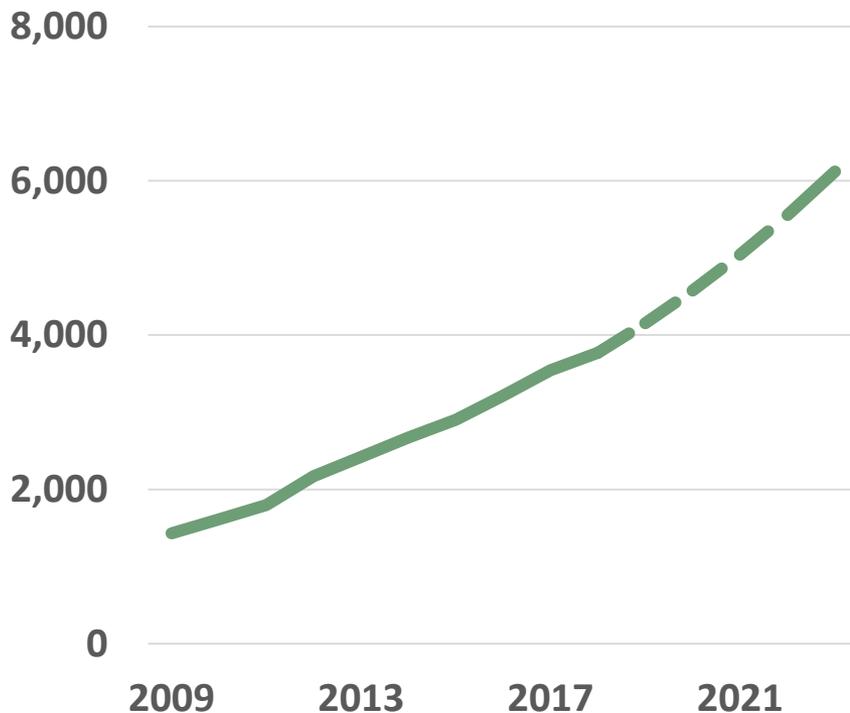
The number of completions per 1,000 FTE has grown to 269 in 2019.

A similar rate of growth infers an additional 7,000 annual completions by 2023.

Note: Includes data for both community colleges and public universities.

Base Funding - Equity

Degrees Awarded to Underrepresented Students



Note: Includes data for public universities only.

The number of degrees awarded has grown 10% annually since 2009.

The percent of degrees awarded is now at 22% of total resident degrees.

A similar rate of growth implies an additional 2,300 annual degrees by 2023.

