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11/05/20

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

Dear Ben,

**Oregon State University comments on SSCM Review and Recommendations Report**

OSU appreciates the work of HECC staff, the members of the workgroup, and the various external groups who contributed to the year-long development of the recommendations for changes to the SSCM. We know it is difficult to find a path that addresses the unique challenges and missions of each of Oregon's seven public universities given the diversity among them and the need to serve multiple state objectives. The central difficulty that the workgroup faced was that the total amount of funding in the Public University Support fund is insufficient to the competing demands of affordability, closing achievement gaps, providing regional access, maintaining quality programs, and promoting economic and social prosperity. In the absence of the state committing to a greater share of the cost of public higher education there will be compromises and shortcomings in any distribution approach for the PUSF.

**OSU Produces Substantial Results for Oregon**

- **Access to a College Education for Oregonians.** OSU enrolled more Oregon resident FTE than any other university in the state in 2019-20: 15,716 Oregonians. In total, Oregon's three largest universities enroll 81% of resident FTE.
- **Student Demand and Value.** More and more Oregon students value an OSU degree. From 2011-12 through 2018-19, OSU grew degrees awarded to residents (all levels) by 14%, or 566 degrees a year. Only OIT also grew over that period. OSU also has the second highest ranking in average monthly earnings and second highest ranking in average net earnings which takes into account lower student debt. Yet OSU produces these outcomes while ranking 5<sup>th</sup> among the seven universities in per student funding from the PUSF (via current SSCM).
- **Skilled Oregon Workforce.** OSU has built the 10<sup>th</sup> largest undergraduate engineering program in the US, directly in response to the state's prioritization of engineering and STEM fields as priorities for the Oregon workforce. In fact, OSU enrolls 46% of all STEM students in Oregon's four-year universities. And, again, it has done so while already receiving among the lowest per-student funding in the state.
- **Access and Diversity.** OSU has placed a high priority on ensuring broad access to STEM degrees for women and students of color, by building a diverse faculty to serve as teachers and mentors. OSU's College of Engineering ranks number 3 nationally among the nation's highly research-intensive universities in the percentage of engineering faculty who are women. Among Pell Grant recipient students, OSU ranks second in the state with 26% of the state's university total

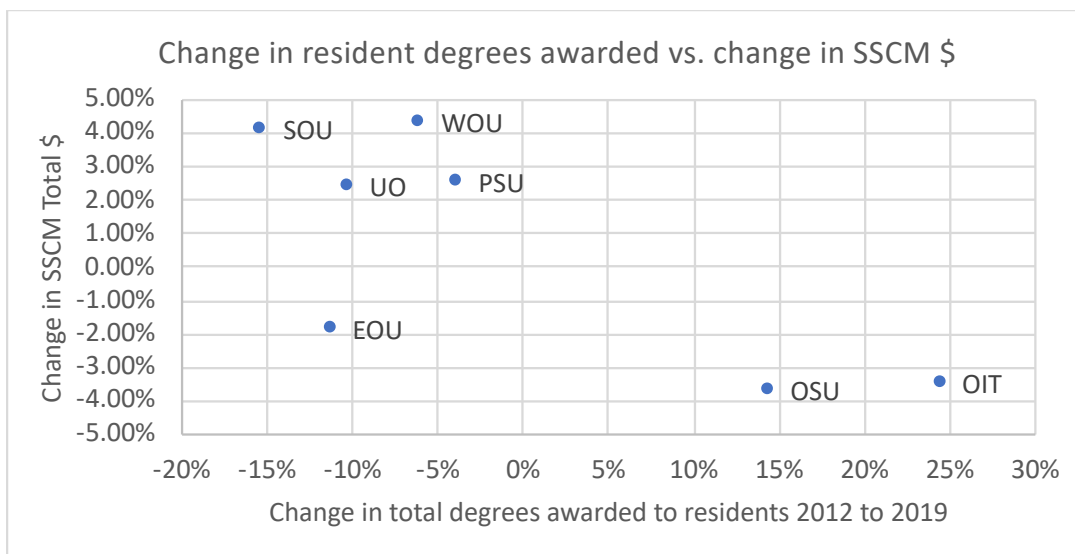
and second in the number of Pell Grant recipient graduates or 27% of the state total. OSU also ranks second in the state for enrolling community college transfer students (26%) and second in enrolling rural freshmen students or 34% of the state's total.

- **Innovation in Education.** OSU established its Ecampus (online) program *18 years ago* to create more pathways for students and adult learners for whom traditional campus study is infeasible. *U.S. News & World Report* has ranked OSU's Ecampus undergraduate programs among the top five in the nation for six years running, a ranking based on quality and student outcomes. OSU's Cascades campus is also becoming a model for delivering high quality degrees and supporting innovation and economic development in its surrounding region while drawing on the specialized resources of the Corvallis main campus.
- **Leveraging Oregon Innovation and Growth.** In FY18, OSU brought \$171.8M in federal research spending to the State of Oregon, 62% of the total for the seven public universities. Those expenditures support high-paying, stable jobs, most of them in STEM fields. The research work fuels economic growth by establishing new entrepreneurial companies and industries, like NuScale Power.

Observations on the recommended changes to the SSCM:

Oregon State accepts the merits of reasonable modifications to the SSCM that improve how the model accounts for changing costs-of-delivery among disciplines and the weighting of outcomes. We know that those adjustments will have the effect of reducing OSU's allocation and thus its per student funding level (already 5<sup>th</sup> out of 7 universities). We point out that OSU's allocation will *decline* under the revised model even though it is a) the public university serving the most Oregon students; b) one of only two public universities in which degrees earned by Oregon students have been *increasing* since 2011-12. Nevertheless, OSU understands the value of adjustments that improve the technical integrity of the model. We do have some observations and concerns about the long-term impact of some of the changes.

- The SSCM has been successful, as noted in the report, because it committed to a majority of funding being driven by outcomes. OSU fully supports that and hopes it will continue to be the focus of the model. The redistribution of SSCM funding that results from the report recommendations is, however, inversely correlated with recent trends in outcomes:



We understand the many variables that were adjusted in the recommended SSCM changes and that simplifying mission differentiation was a challenge given the many years of incremental commitments there. We do assume that this redistribution comes with the expectation that improving outcomes remains the focus for all of Oregon's public universities.

- OSU supports the technical changes made in weights, area of study bonuses, and definitions of STEM fields, but notes that the aggregate effect of that is a very substantial reduction in the funding per STEM degree (12% for engineering for example, based on the example on slide 27 and excluding equity). The STEM disciplines are expensive to deliver and many, engineering particularly, include differential tuition as part of the tuition structure. We are concerned that the low overall level of state funding and the reduction in funding for these high-cost programs raises the risk of limiting access. If tuition rates increase or differential tuition is added to programs to maintain funding at the level required for a high-quality education in those disciplines, they could become more difficult to access for students of lesser economic means. It is something that bears watching as the new SSCM is implemented.
- We are concerned about the discounting of graduate degree cost-weights by 40% as a long-term policy. The updating of the cost weights has been one of the commission's priorities in revising the SSCM and we believe an objective set of weights is an essential part of the SSCM. We respect the commission's statement on prioritizing undergraduate degrees, given the low level of state funding, but hope the commitment is to secure levels of funding that allow the real cost of those programs to be recognized at some point. Graduate degrees like the MBA, Masters of Engineering, Masters of Public Health, as well as the PharmD and DVM are important credentials for many Oregon students. The ability to access affordable, high-quality graduate education will be increasingly important for Oregon's economy and competitiveness. Funding graduate education is a key part of a long-term economic strategy for the state and we will advocate for a larger allocation of the PUSF to that area as state funding improves.
- We appreciate the commitment to funding OSU-Cascades as a regional campus by a formula consistent with the other regional campuses. OSU-Cascades is an important part of providing access to affordable higher education in Oregon's fastest growing region.
- OSU is very supportive of retaining a research allocation in the mission differentiation formula as this is a major part of OSU's mission. However, as a category in the PUSF, research funding only accounts for 6% of the Mission Differentiation funding while the "regional" and "base funding" categories account for 70% of Mission Differentiation. This is considerably lower than the vast majority of other states and represents a statewide devaluation of the economic and societal impact of high quality and nationally competitive university research. Research is not only a direct economic benefit to Oregon because of federal funding, but is important in building a thriving economy fueled by regular new discoveries and a vibrant start-up culture. Research also provides opportunities for experiential learning for both undergraduate and graduate students that are some of the most impactful to student success after graduation. As state funding improves (eventually) this is an area where we will advocate for a larger allocation of the PUSF.
- Public service is the third key part of OSU's mission and we support the specific allocation for public service in the proposed mission differentiation formula. Public service provides opportunities for experiential and service learning for students and is deeply rooted in OSU's programs in agriculture, forestry, public health, education, and others. We should note that OSU is also funded by the state to manage the Statewide Public Services (the Agricultural Experiment Station, the Forest Research Laboratory, and the Extension Service) as well as Outdoor School. Those funds are specifically for public service or research in support of K-12 education and specific Oregon economic and social goals. Those funds cannot support OSU's educational mission.
- OSU's principal area of concern is that the aggregate changes reduce the funding for OSU-Corvallis by \$5.6M, largely from a \$5.0M reduction in the mission differentiation allowance. This effectively eliminates funding for OSU's long-standing commitment to support the Veterinary Diagnostic Laboratory (VDL, which has been instrumental in OSU's work in coronavirus testing) and facilities for the Statewide Public Services (SWPS) as part of our service to the state.

Both of those priorities—stated commitments of the Oregon legislature—have been funded through the PUSF allocation since the dissolution of the Oregon University System. The Veterinary Diagnostic Laboratory provides testing and diagnostic services throughout the state and most recently has been an essential part of Oregon's testing for coronavirus. The Statewide Public Services facilities support underwrites the costs of facilities on the Corvallis campus used by SWPS faculty and staff so that those costs do not fall on student tuition dollars.

Originally, the VDL and the SWPS facilities support were provided as one of several line items in the Oregon University System (OUS) budget. Both line items were folded subsequently into the mission differentiation component of the SSCM (while other such line items were moved to State Programs Funding). These two items are funded at \$6.9 million in the current 2019-21 biennial budget. OSU agrees that the VDL and SWPS facilities do not align with the intent of the PUSF as framed today. Yet they should also not be funded by tuition dollars, which would be necessary if they are zeroed out by the proposed changes and not replaced with another source. The fact remains that the state intended those dollars for specific uses and that fact must be acknowledged as a part of any change to the SSCM approved by the Commission.

Therefore, OSU's support of the proposed SSCM revisions is dependent on the Commission finding an alternative funding mechanism to replace the allocations for the VDL and SWPS facilities support.

- OSU is in favor of phasing these changes in over two biennia using an appropriate stop-loss/stop-gain mechanism, much as was used in the original implementation of the SSCM. This is particularly important given the anticipated reduction in state funding for the PUSF anticipated for the 2021-2023 biennium.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael J. Green", with a long horizontal flourish extending to the right.

Michael J. Green  
Vice President for Finance and Administration / Chief Financial Officer