



Institution Support Funding Recommendations 2023-25 Biennium

Postsecondary Finance and Capital

June 2022

Overview

Setting the Stage

CCSF Recommendations

PUSF Recommendations

Additional Context

HECC Strategic Roadmap

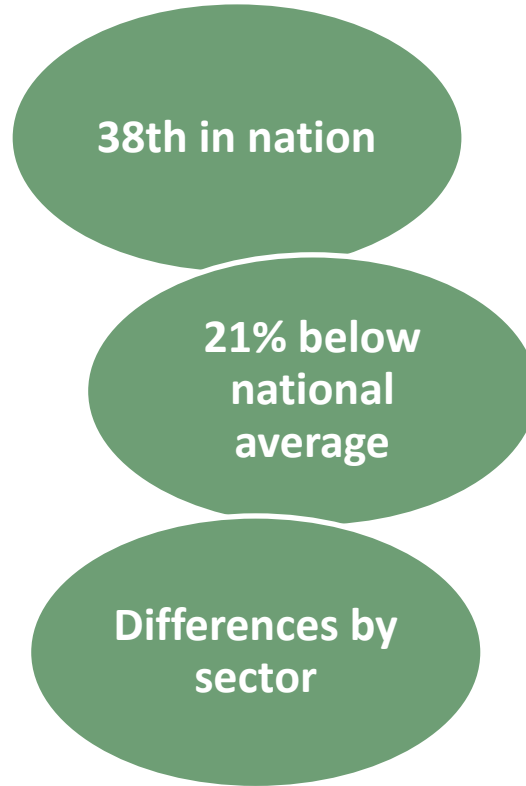
- Transform and innovate to serve students and learners best.
- Center higher education and workforce training capacity on current and future state needs.
- Ensure that postsecondary learners can afford to meet their basic needs.
- Create and support a continuum of pathways from education and training to career.
- **Increase public investment to meet Oregon's postsecondary goals.**

Public Investment in Oregon Higher Education

From 2016-2021, public funding per FTE increased 39% in Oregon (14% nationally)

Funding per student of \$7,395 is 21% below the national average of \$9,327

Sector-level data now available in SHEF survey; shows marked differences



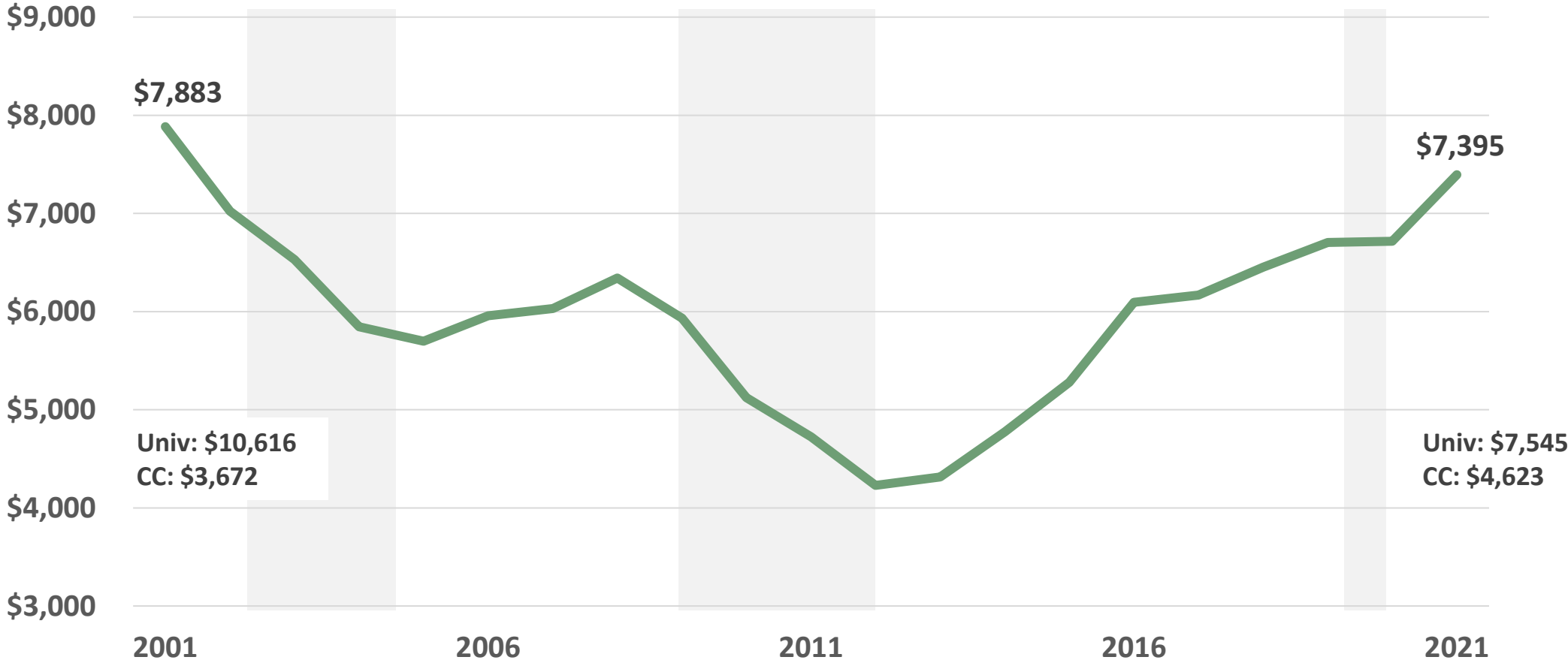
	Univ	CC
Funding per FTE – Oregon	\$5,580	\$10,050
Funding per FTE – National Avg	\$8,859	\$9,347
National Rank	46th	13th
Compared to National Average	-37%	8%

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.

Source: [2021 State Higher Education Finance \(SHEF\) Report](#), Table 3.2 and 3.2A.

FTE Funding over Time

Adjusted for inflation, a total 6% reduction in per FTE funding since 2001 which is a 29% reduction for the universities and a 26% increase for the colleges.



Note and source: All sector numbers are from SHEF (see prior slide). Sector specific numbers come from HECC data adjusted for inflation using Higher Education Cost Adjustment (HECA).



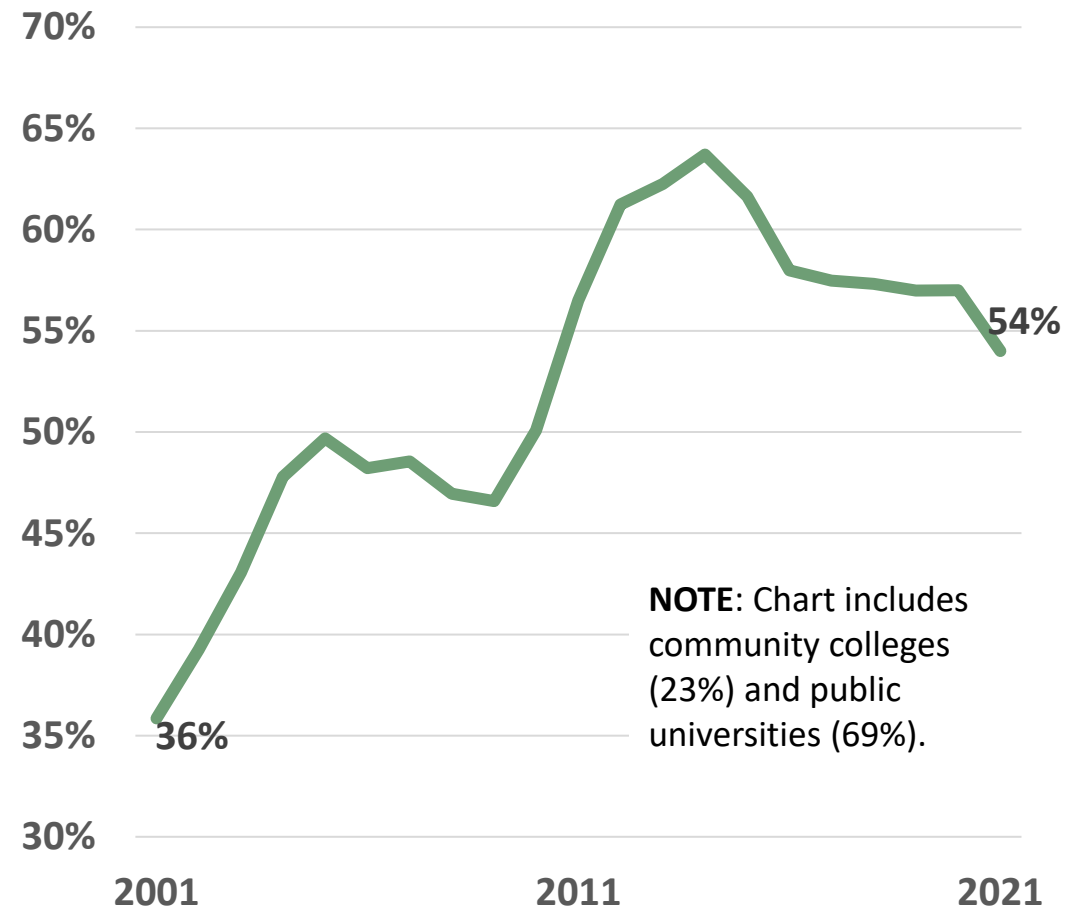
The Impact of Tuition and Fees

From 2011-2021, net tuition and fee revenue increased 41% (17% nationally)

Net tuition and fee revenue per student of \$8,636 is above national average of \$6,723

Tuition and fee revenue is 54% of total revenue compared to 42% nationally

Share of Total Revenue



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

Source: [2021 State Higher Education Finance \(SHEF\) Report](#), Tables 4.1, 4.1A, 4.3, and 4.3A

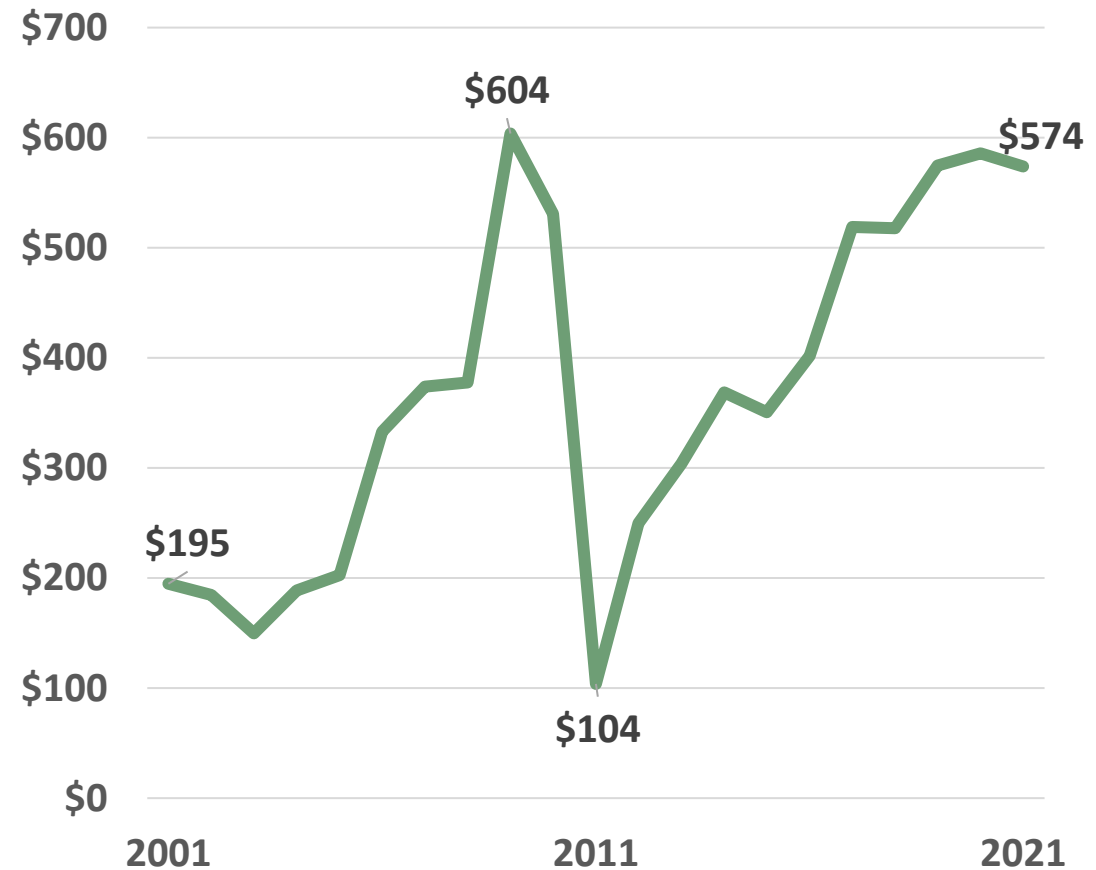
Financial Aid Funding

From 2016-2021, state financial aid per FTE increased 51% (27% nationally)

State financial aid funding per student of \$574 is 38% below national average of \$921

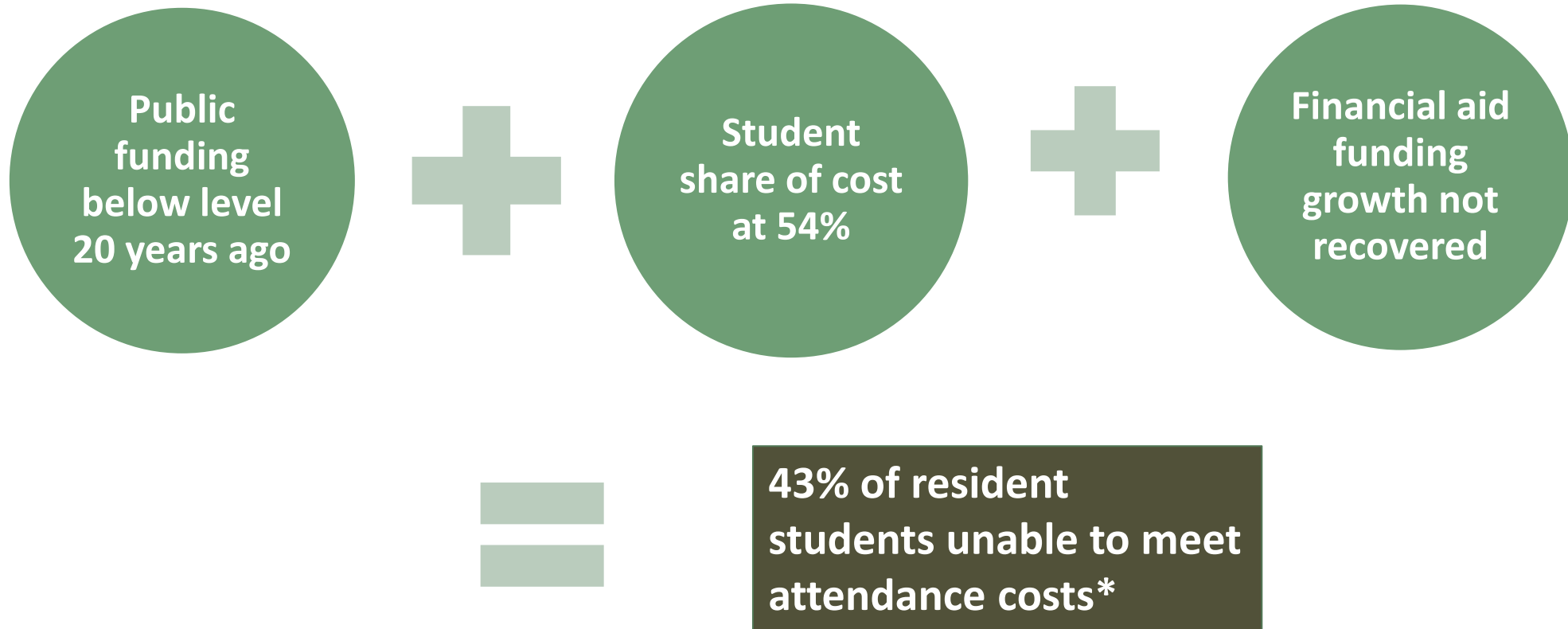
Down 5% from the pre-great recession high; \$574 compared to \$604

Funding per Student
(inflation adjusted)



Source: [2021 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; 43% for all students which is 33% for community college students and 57% of public university students
Source: 2019-20 Academic Year Oregon Statewide Snapshots

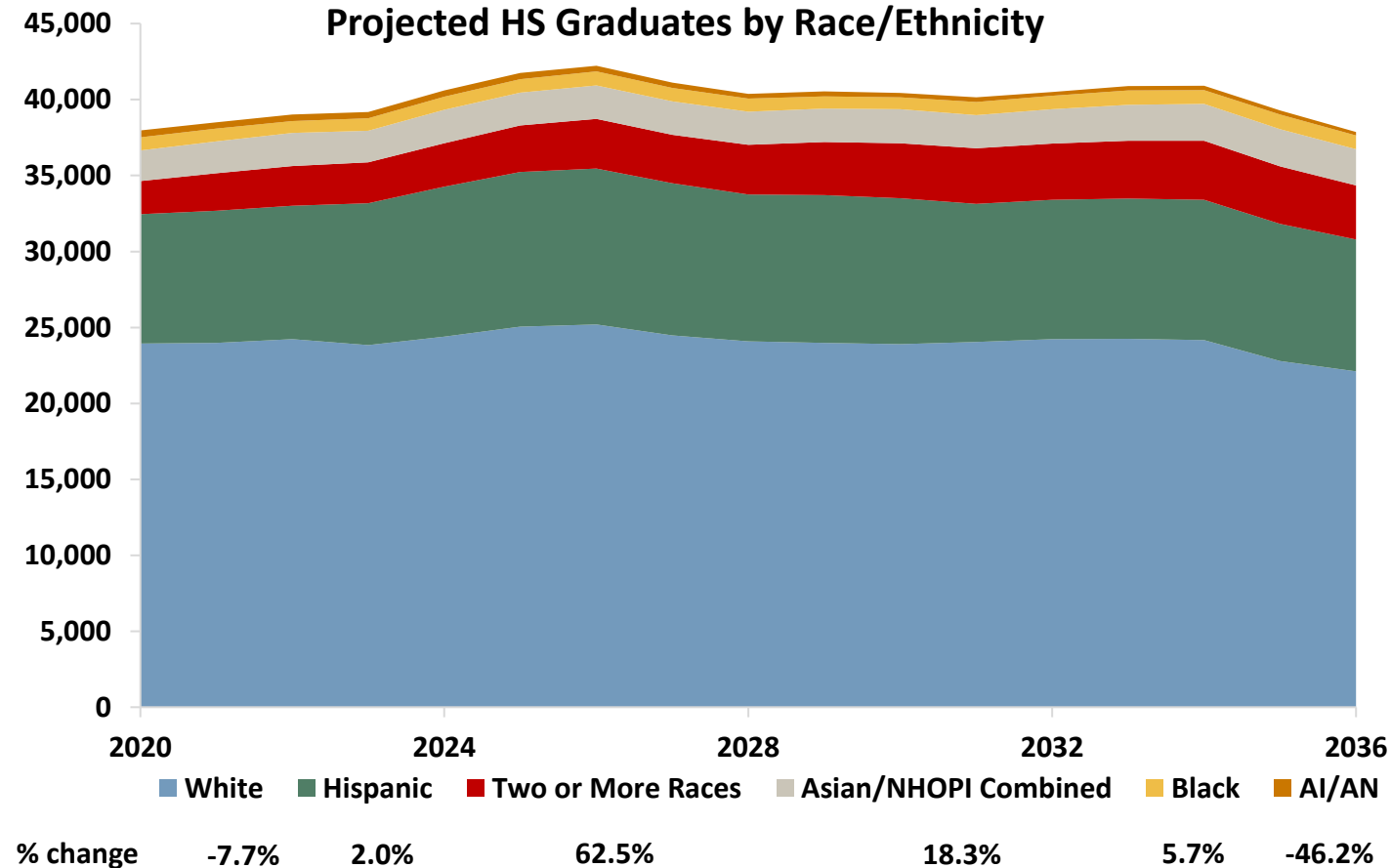
Economic Outlook

- **Strong, inclusive recovery;** long-standing inequities remain but disparities did not widen
- **Base outlook is for a soft landing;** inflation remains the key risk but will slow; possible recession in 2023
- **Revenue growth is strong;** income taxes continue to set records; could lead to record kicker in 2024

Revenue Forecast, June 2022

General Fund (\$ Millions)	COS 2021	2021-23	2023-25
Personal Income Tax	20,628	23,461	22,838
Corporate Income Tax	1,344	2,275	1,763
All Other Revenues	1,353	1,541	1,497
Gross Revenue	23,325	27,277	25,956
Source: Tables R.1 and R.2 Note: COS = close of session			

Enrollment Outlook



Potential Inflection

Strong Employment – low unemployment with consistent demand for degrees

Demographics – school-age population will decline by 0.7% annually through 2030; An estimated 5% fewer annual HS graduates by 2037

Differential Demand – demand for top-tier institutions stabilizes; enrollment pressure on regional institutions

Sources:

WICHE, Knocking at the College Door: Projections of High School Graduates, 2020.

Damon Runberg, Oregon Employment Department, Enrollment at Oregon's Public Universities, December 2021.

Nathan Grawe, Demographics and the Demand for Higher Education.



Survey of State Funding Practices

- Of 48 states surveyed, most common funding approach is base+ built upon historical funding patterns
- Only 4 states define base adequacy, i.e. how much funding is needed to ensure adequate resources are available
- Few states reported explicit numerical targets for cost-sharing and affordability
- 29 states regularly measure/report on affordability; considerable variation in definition

Source: Survey conducted by the National Center for Higher Education Management Systems (NCHEMS), April 2022.

General 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 enrollment changes

Does not include transformative or structural changes

Current Service Level (CSL)

What is CSL?

An estimate of the cost to continue current, legislatively approved programs into the next biennium.

How is it calculated?

For support funds, a blended rate that assumes the standard inflation for non-state employee personnel and adjusts for increases in health/retirement benefits and pension bond debt.

2023-25 Comparison	Base	CSL
Colleges	12.2%	8.7%
Universities	8.7%	7.9%

Base – the increase in general fund spending from 2021-23 to 2023-25 as estimated by the institutions regardless of revenue source; theoretically, all revenue sources would have to increase the same amount to prevent a budget deficit from occurring

CSL – the calculation made by DAS CFO staff using the blended rate approach

Process Timeline



Guidance

- Established base funding – same level of enrollment, programs, staffing
- Funding scenarios ranged from -10% to +20% to base funding
- Included a scenario which capped tuition/fees at 5% annual increases
- Requested additional information on impacts to underrepresented students

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

Review process currently underway through Spring 2023

Community College Cost Drivers

Personnel costs will add \$193M to college budgets in 2023-25.

New unfunded requirements will add \$4M.

Budget Cost Drivers		
	Projected Increase over 2021-23	
Compensation	136,862,165	12.9%
Health Benefits	20,662,521	11.4%
Retirement Benefits	35,545,307	15.2%
Services & Supplies	22,787,696	9.8%
Other (transfers, etc.)	5,302,402	5.1%
Total	\$221,160,091	12.2%

Community Colleges – General Fund Revenues

Revenue Category	2021-23 estimated	2023-25 estimated	Variance	
State Appropriations	696,761,012	1,005,171,825	308,410,813	44.3%
Property Taxes	437,837,816	472,288,752	34,450,936	7.9%
Net Tuition and Fees	465,450,932	496,247,622	30,796,690	6.6%
Other	64,554,399	63,918,646	(635,753)	(1.0%)
HEERF – Federal funds	53,036,148	-	(53,036,148)	(100%)
Use of Fund Balance	98,826,447	-	(98,826,447)	(100%)
Total Revenues	1,816,466,754	2,037,626,845	221,160,091	12.2%

Notes and Assumptions

Annual enrollment growth is assumed at 1.3%.

Property taxes are based on assumed growth rate in assessments.

Tuition and fee revenue growth is limited to average annual increases of 3.1%.

Why a 44% increase in state funding?

- Compared to pre-pandemic levels, headcount enrollment is down 23.7%
- As a result, \$131M reduction in revenue during 2021-23 from original projections
- Federal funding (HEERF) is temporary and not expected to continue

Anatomy of an Increase – \$308.4M

\$151.8M One-Time Funding:

Use of Fund Balance	\$98.8M
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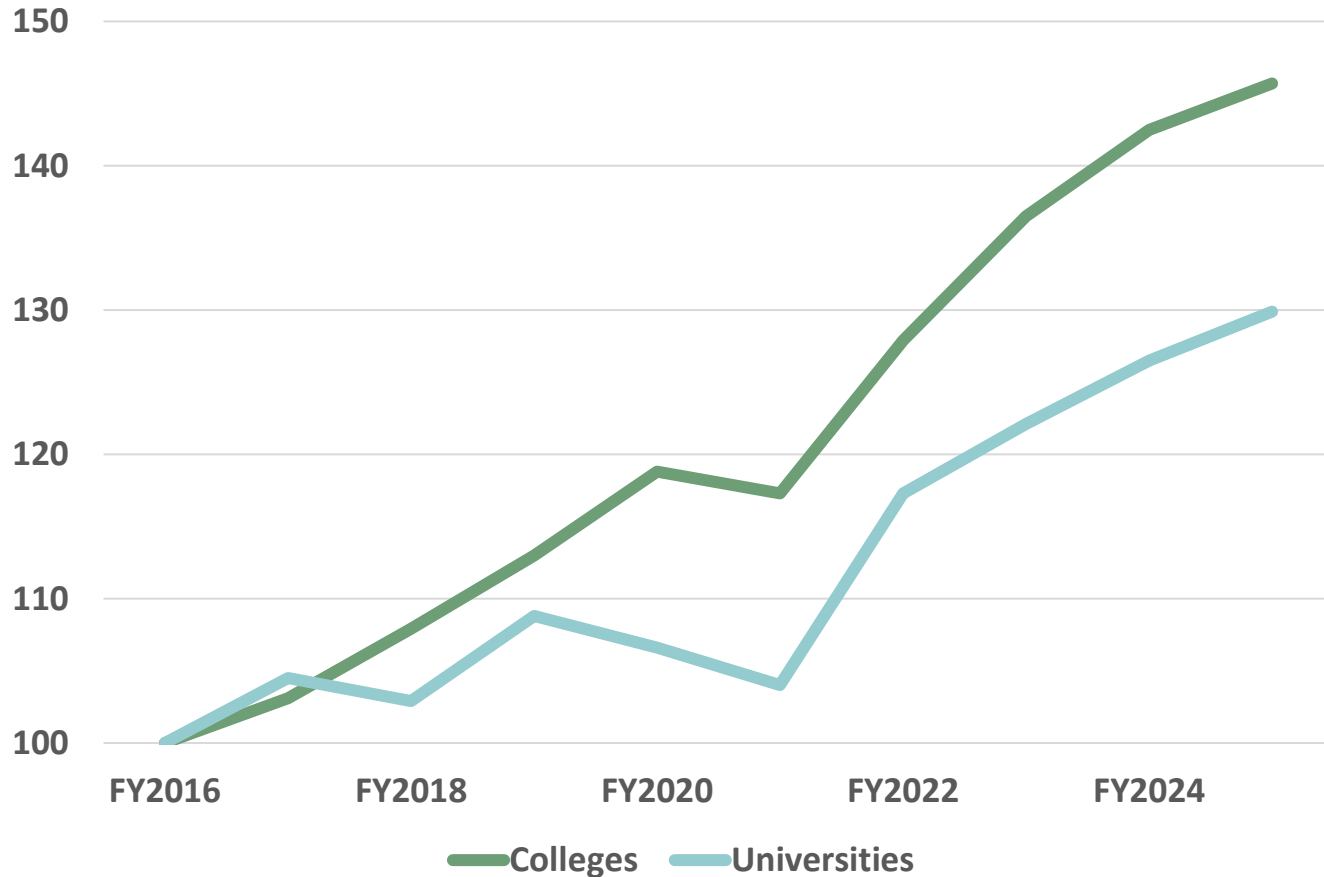
Federal Revenue	\$53.0M
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\$156.6M On going:

2023-25 Cost Drivers	\$221.2M
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Net of Additional Revenue	(\$64.6M)
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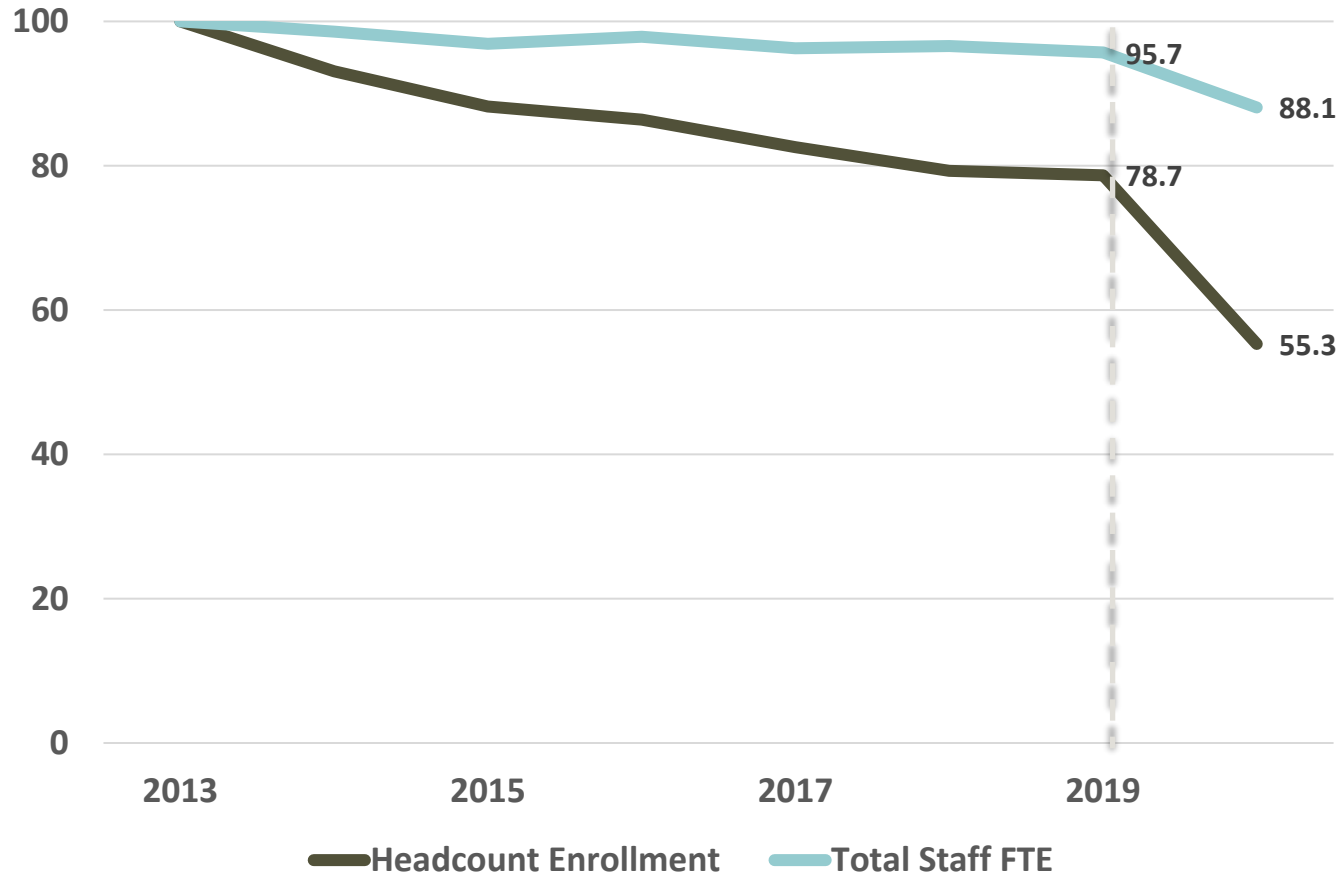
General Fund Spending over Time



- From FY2016 through FY2025, general fund spending will increase:
 - 4.5% annually for the colleges
 - 2.9% annually for the public universities
- Enrollment down 29% for colleges and 2% for universities from 2016 through 2020

Source: Financial data provided by institutions for CSL collection not adjusted for inflation. Headcount enrollment from HECC Office of Research and Data. 2016 compared to 2020. Chart presented as annual change with FY2016 as base (100).

Community College Enrollment and Staffing



- Looking at enrollment and staffing after great recession bump (2013) but before the pandemic (2019)
- Enrollment declined 21.3% while staffing declined 4.3%
- Student to staffing ratio declined from 18.5 to 12.9

Source: Headcount from HECC R&D, fall fourth week enrollment, November 2021; Total Staff FTE from IPEDS, frequently used variables, accessed April 2022. Chart presented as annual change with 2013 as base (100).

Potential Funding Scenarios – CCSF

A Range of Options for Consideration

Reductions	Current	CSL	Base Funding	40-40-20 Plan
<p>-10.0% to \$586.4M</p> <p>Potentially large tuition increases</p> <p>Reduction of programs; layoffs, furloughs and other staffing reductions</p> <p>Magnitude and mix of actions dependent on reduction amount</p>	<p>\$699.0 million</p> <p>Use of fund balances ongoing</p> <p>Existing enrollment declines</p> <p>Completion improvement over time</p>	<p>+9.3% to \$764.1M</p> <p>Due to enrollment declines, and the resulting loss in tuition revenue, the colleges are reporting a larger need for state funding in 2023-25</p>	<p>+43.8% to \$1,005.2M</p> <p>Annual average tuition increases of 3.2%</p> <p>Annual enrollment growth of 1.3%</p> <p>No use of fund balance</p> <p>No new programs or staffing increases</p>	<p>+69% to \$1,181.3M</p> <p>Amount needed to reach 40-40-20 state higher education plan by 2030</p> <p>Includes the production of 3,800 additional certificates and 10,200 additional associate degrees</p>

Other Recommended Policy Option Packages – CCs

Equity Achievement **\$100 million (universities and colleges combined)**

- Intended to sustain and grow existing, successful student service programs for traditionally underrepresented students
- Could include scaling existing programs and also new programs modeled after best practices nationwide
- Should align with recommendations from Legislative Task Force on Underrepresented Student Success

Cybersecurity **\$12 million**

- Procurement of a shared “Security Operations” Center as a subscription
- Education is the number 1 target of cyberattacks internationally
- Institutions lack the resources to address

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 PUSF funding across three components.

- **Mission Support** – 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.

Public University Cost Drivers

The universities identified nearly 400 required mandates.

- Nearly 250 are federal, ranging from discrimination provisions to copyright requirements.
- 91 are state mandates for all universities with 33 more for specific universities.
- These range veterans health care to underrepresented students and beyond.

82% of increased costs are wages and benefits

Budget Cost Drivers

	Projected Increase over 2021-23	
Compensation	143,009,280	7.7%
Health Benefits	30,463,683	7.8%
Retirement Benefits	72,959,933	17.4%
Other Personnel	18,343,380	7.4%
Services & Supplies	57,021,436	7.2%
Total	\$321,797,712	8.7%

Public University – General Fund Revenues

Revenue Category	2021-23 estimated	2023-25 estimated	Variance	
State Appropriations	962,988,027	1,045,496,289	82,508,262	8.6%
Net Tuition and Fees	2,368,217,652	2,573,268,606	205,050,954	8.7%
Indirect Cost Recovery	171,448,048	181,862,335	10,414,287	6.1%
Other	135,890,177	149,827,391	13,937,214	10.3%
Use of Fund Balance	71,510,893	81,397,888	9,886,995	13.8%
Total Revenues	3,710,054,797	4,031,852,509	321,797,712	8.7%

Notes and Assumptions

State appropriations includes all sources (i.e. PUSF, state programs, debt service, etc.).

Assumes 4.3% annual increases in tuition/fees for all students.

Results in 12.5% increase in total remissions funding.

Leaves an \$81.4M deficit which is 2% of spending.

Scenario Analysis

Scenario	Increase in PUSF Funding	Annual Tuition/Fee Increase	Remissions Funding Increase	Use of Fund Balance	State Share of Total Spending
Base Funding	\$78M; 8.7%	4.3%	12.5%	\$81.4M; 2%	Same; 26%
No deficit	\$112.1M; 12.5%	4.8%	6.6%	-0-	Increase; 27%
No tuition/fee increases	\$234.5M; 26.1%	-0-	5.7%	\$80.6M; 2%	Increase; 30%
Limited Tuition/fee increases	\$124.6M; 13.8%	3%	10.5%	\$80.6M; 2%	Increase; 28%

Notes and Assumptions

The annual tuition/fee increase noted is an average across all types of students.

The remissions funding rate is currently 13.5% going to 14.4% during FY2023.

The base funding scenario implies a budget deficit requiring the use of fund reserves.

A 1% increase in the state's share of spending equals \$39.5M or 4.3% for the PUSF.

Potential Funding Scenarios – PUSF

A Range of Options for Consideration

Reductions	Current	CSL	Base Funding	Request	40-40-20 Plan
-10.0% to \$810.0M	\$900.0 million	+8.0% to \$972.0M	+8.7% to \$978.0M	+14.2% to \$1,028.0M	+25% to \$1,125.0M
<p>Annual, double-digit tuition increases for resident, UG tuition</p> <p>Potential reduction of programs; layoffs, furloughs and other staffing actions</p> <p>Magnitude and mix of actions dependent on reduction amount</p>	<p>Use of fund balances ongoing</p> <p>Existing enrollment declines for some</p> <p>Completion improvement over time</p>	<p>Tuition increases above 5% on most campuses</p> <p>Reduced student affordability</p> <p>Potential use of fund balances</p>	<p>Would allow most universities to keep tuition at or below 5%</p> <p>Preserves affordability and student support investments</p> <p>Maintains progress toward statewide goals</p>	<p>Increased student affordability</p> <p>Enhances student support and equity-based investments</p> <p>Promotes additional progress toward statewide goals</p>	<p>Amount needed to reach 40-40-20 state higher education plan by 2030</p> <p>Would include the production of 2,800 additional bachelor's degrees annually</p>

Other Recommended Policy Option Packages – Universities

Equity Achievement \$100 million (universities and colleges combined)

- Intended to sustain and grow existing, successful student service programs for traditionally underrepresented students
- Could include scaling existing programs and also new programs modeled after best practices nationwide
- Should align with recommendations from Legislative Task Force on Underrepresented Student Success

Strong Start Program \$20 million

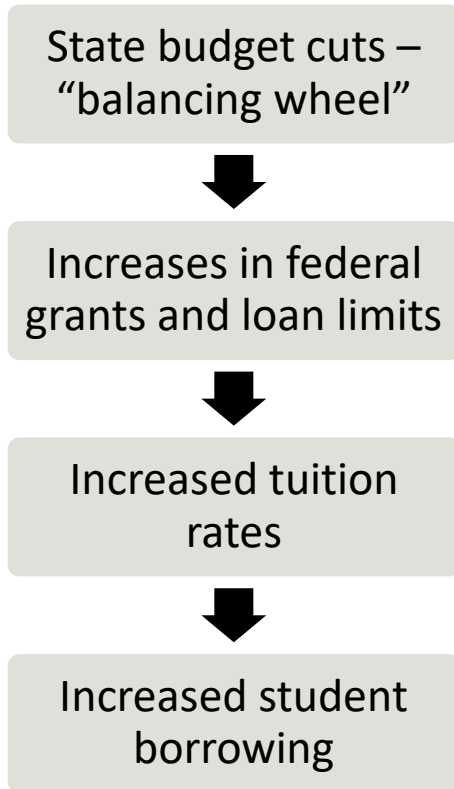
- Continues existing Strong Start program
- A summer bridge program that provides wrap around services and skill building for incoming and returning students

Cybersecurity \$22 million

- Includes funding for additional personnel, technology to secure cloud access and ensuring intrusion detection, and training
- Education is the number 1 target of cyberattacks internationally
- Institutions lack the resources to address

The Benefit of State Support

Status Quo



For every extra \$1,000 per student a state spends...

Public University

- A student’s odds of earning a bachelor’s degree by age 25 increases by 1.5%
- The likelihood a student will take on debt decreases by 2%
- Total amount of student borrowing decreases by \$5,000+ by age 35

\$77.5M, 8.6%

Community College

- Increases likelihood of transfer to a university by 3.5%
- Decreases likelihood of loan defaults (of all kinds)
- Increases credit scores avg of 13 points and avg income of the zip code of residence by \$3,300

\$87.9M, 12.6%

Source/Note: State Investment in Higher Education: Effects on Human Capital Formation, Student Debt, and Long-Term Financial Outcomes of Students, Federal Reserve Bank of New York, September 2020. Funding estimates are based on FTE for universities and headcount for colleges using Fall 2021 enrollment figures.

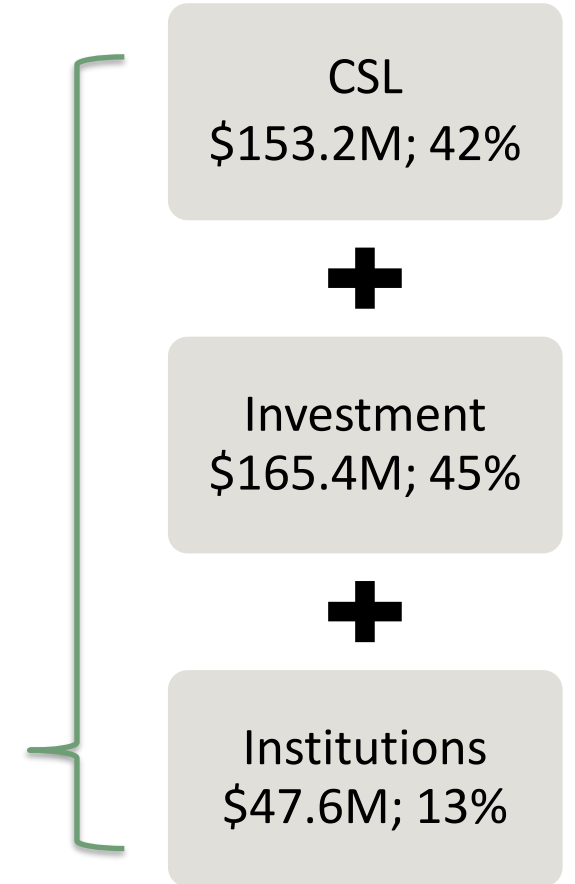
Funding Recommendations

(GF only; \$ Millions)	2021-23	2023-25	Variance	
CCSF CSL	\$699.0	\$764.1	\$65.1	9.3%
POP – Investment	-	\$87.9	\$87.9	100%
TOTAL CCSF	\$699.0	\$852.0	\$153.0	21.9%
PUSF CSL	\$900.0	\$972.0	\$72.0	8.0%
POP – Investment	-	\$77.5	\$77.5	100%
TOTAL PUSF	\$900.0	\$1,049.5	\$149.5	16.6%

Funding Recommendations – Continued

(GF only; \$ Millions)	2021-23*	2023-25	Variance	
State Programs**	\$48.0	\$53.9	\$5.9	12.3%
Statewide Public Services**	\$156.3	\$173.9	\$17.6	11.3%
POP – Strong Start	\$13.6	\$20.0	\$6.4	47.1%
TOTAL Universities	\$1,117.9	\$1,297.3	\$179.4	16.0%
POP – Cyber Security	-	\$33.8	\$33.8	100%
TOTAL Funding	\$1,816.9	\$2,183.1	\$366.2	20.2%

*excludes phase-outs
 **includes CSL plus POP based on institutions' request



Additional Context

1

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

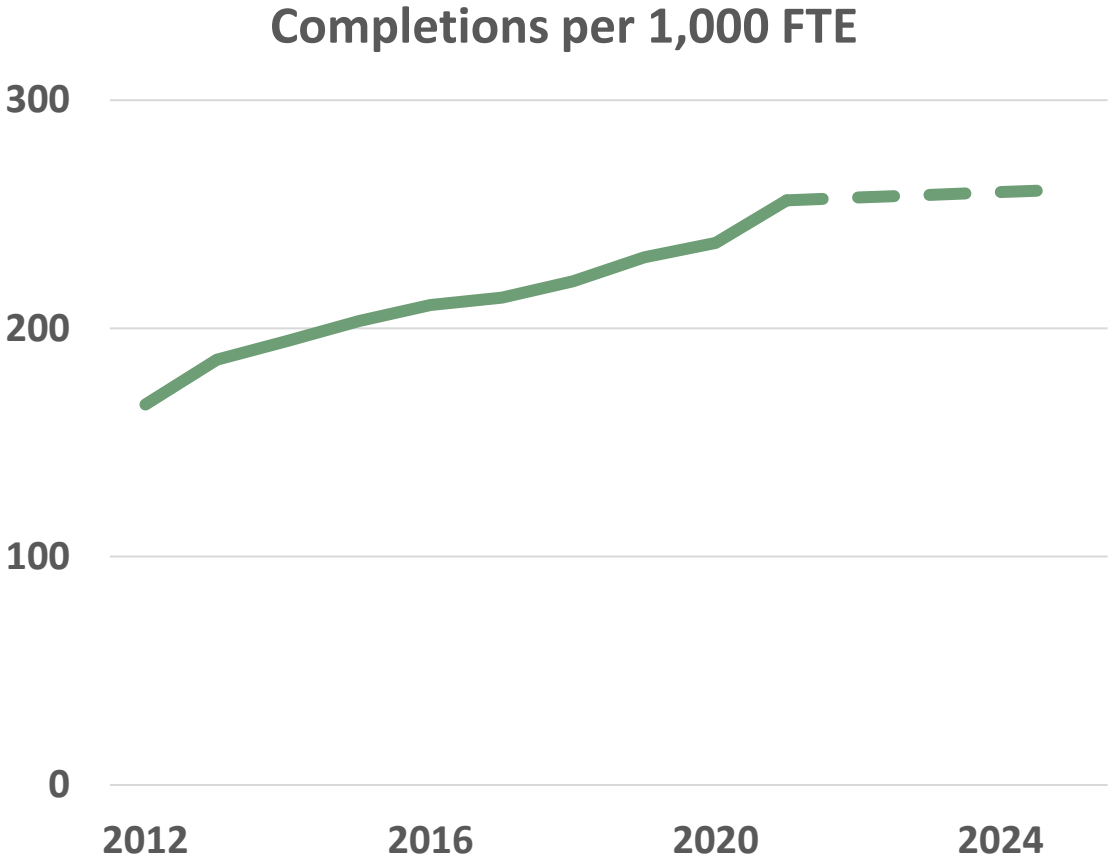
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The interaction between institutional support funding and other HECC budget components is important

3

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

Potential Progress – Completions



The number of annual completions has grown 8% during the past decade to 37,148 in 2021.

The number of completions per 1,000 FTE has grown 54% during the past decade to 256 in 2021.

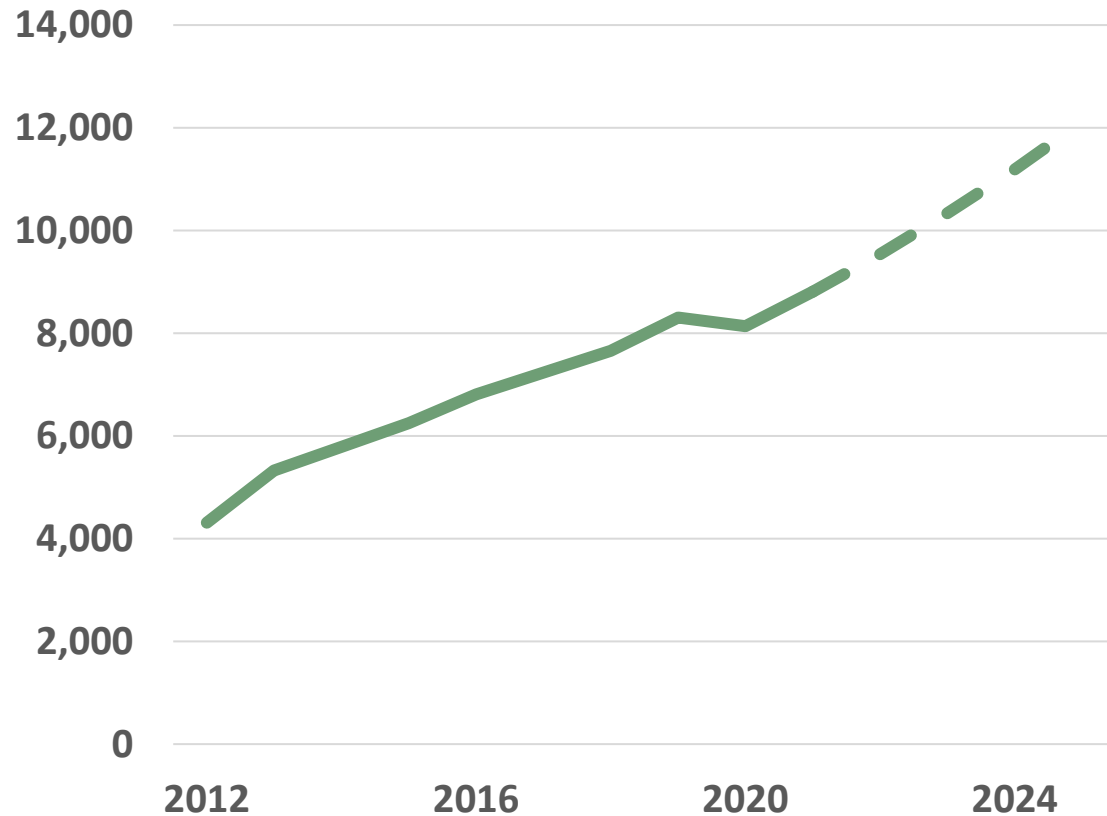
A similar rate of growth infers approximately 3,600 additional, annual completions by 2025.

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



Potential Progress – Equity

Completions Awarded to Underrepresented Students



The number of completions awarded has grown 8% annually during the past decade to 8,135.

The percent of completions awarded is now at 27% of total resident degrees and certificates.

A similar rate of growth infers approximately 3,900 additional, annual completions by 2025.

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

HIGHER
EDUCATION
COORDINATING
COMMISSION

The Oregon State Seal is partially visible behind the text. It is a circular emblem with the word "OREGON" at the top and "1859" at the bottom. The center features a landscape with a plow, a sheaf of wheat, and a ship.