



Funding Oregon's Public Universities

Senate Interim Committee on
Education

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Overview

Background

Review and Recommendations

Potential Impact

Focus on Student Affordability

HECC Principles, 2020

- 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

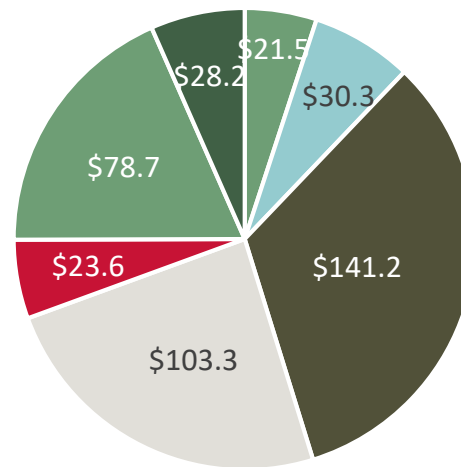
Overview of the Oregon's Public University Support Fund (PUSF)

\$836.9 Million
(2019-21)

- Legislatively-adopted PUSF for HECC distribution to Oregon's seven public universities in 2019-21.

\$426.8 Million
(FY2021)

- HECC distributes 49% of the appropriation in the first year of the biennium (FY20), 51% in the second (FY21).



- The amount per university is determined based on a formula the HECC establishes via administrative rule (ORS 350.075).

The Transition to an Outcomes-Based Funding Formula

The HECC's Equity Lens is a cornerstone for its policy and budgeting. Formula redesign was one of its operational uses.

2014

With university independence, HECC sought accountability through a revised funding formula

Advisory Group

A workgroup developed a new model focused on:

- Student outcomes
- Equity
- In demand degrees
- Mission differential

2015

HECC adopted a new formula that aligns state resources with desired outcomes: especially equitable student success. Four-year phase-in (2015-2019).

Commitment to review formula every five years.

Funding Formula Guiding Principles

Promote resident student success

Incentivize progress to degree

Incentivize degree outcomes

Incentivize underrepresented population completions

Incentivize in-demand degrees

Support public service activity and regional missions

Differential mission support

Regional university support

Research support

Provide funding stability

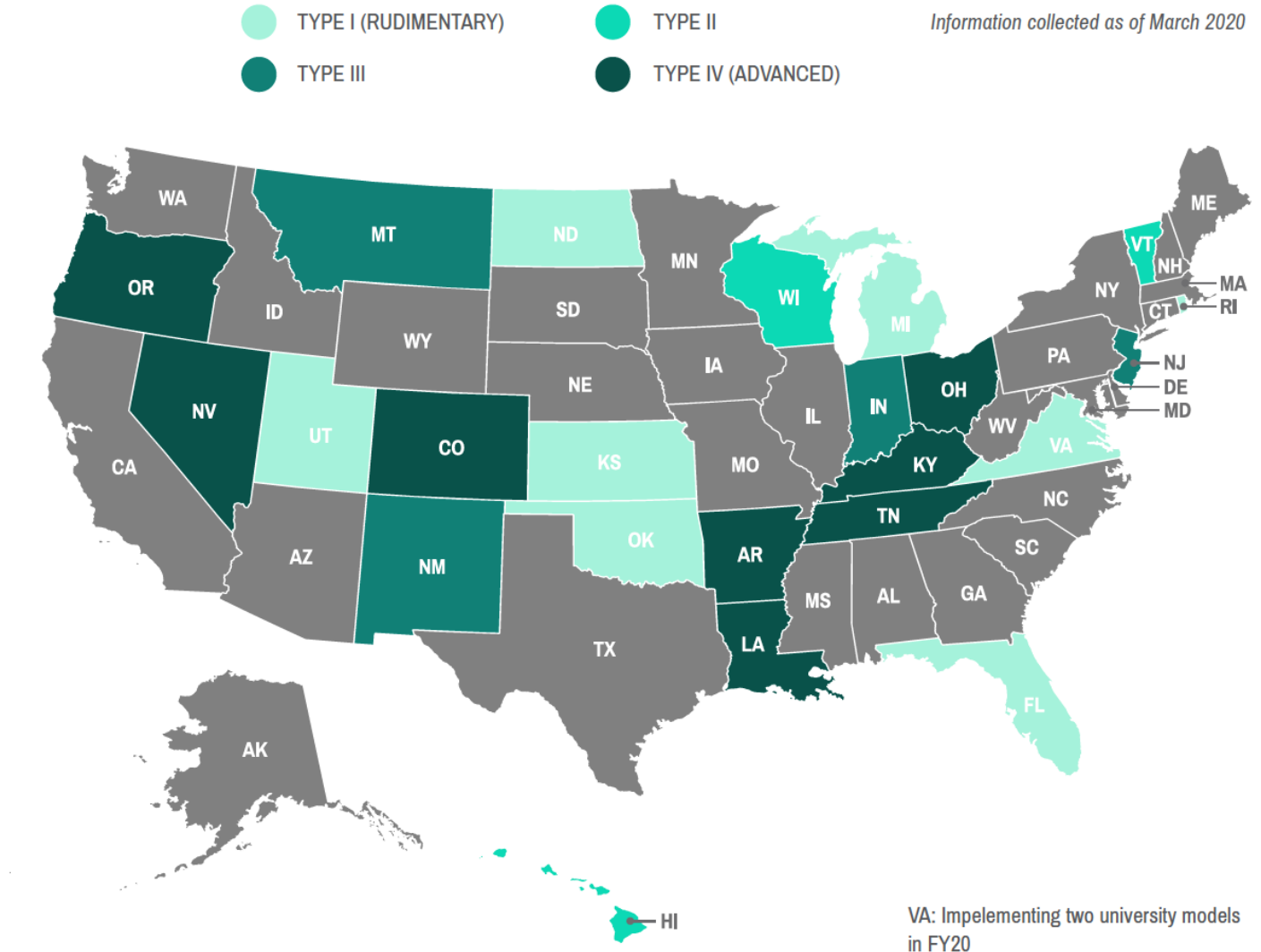
Data averaging

Phased-in focus on completion

Stop Loss/Stop Gain

Closely Aligned with Best Practice

- Current formula is closely aligned with national best practice
- Type IV indicates highest level of alignment
- Among the states with higher portion of funding for completions
- Among the states with a robust equity mechanism



Current Formula Design

Mission Differentiation – 17%

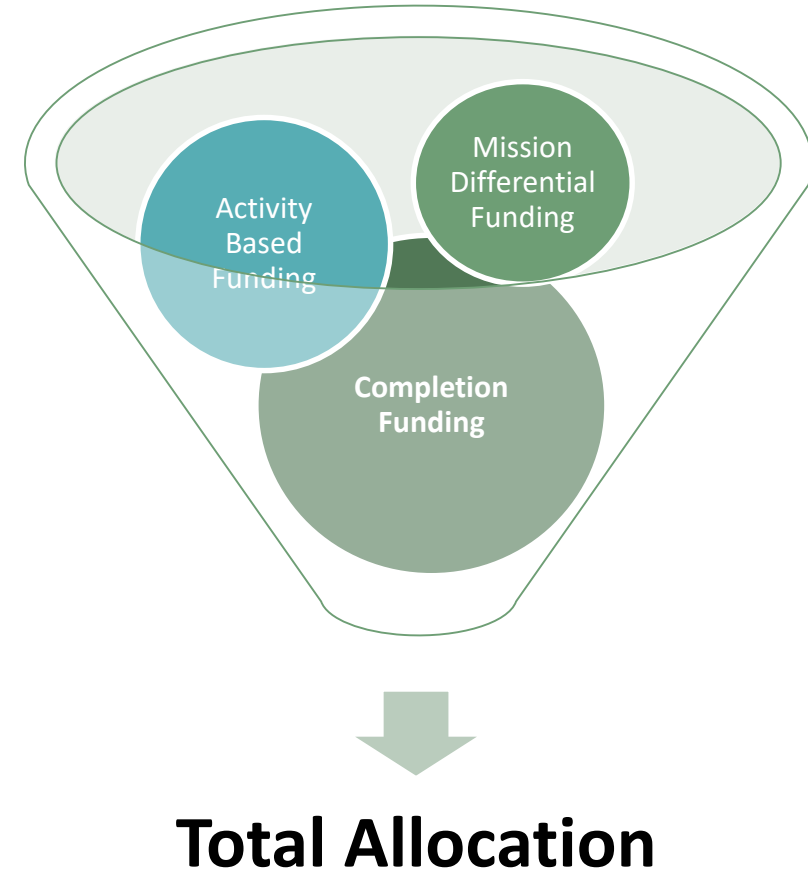
- Allocation off the top
- Based on historical levels + inflation
- Provides funding stability for regional institutions and acknowledges mission specific needs

Activity-Based – 33%

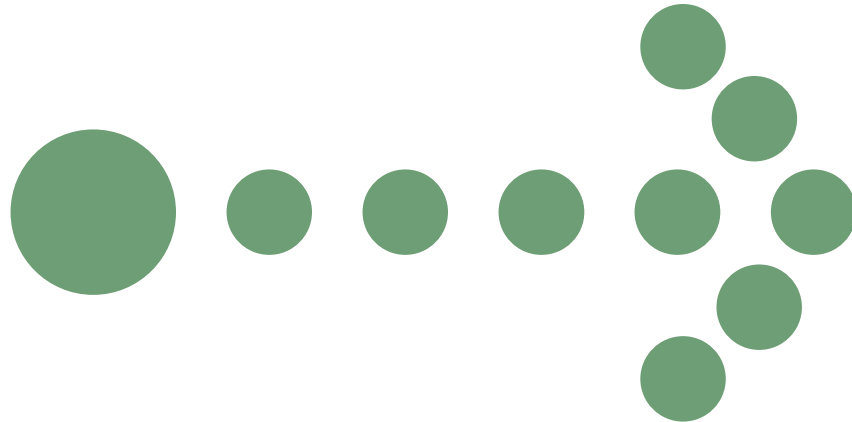
- Based on course completions
- Cost-weighting of courses by discipline

Outcomes-Based – 50%

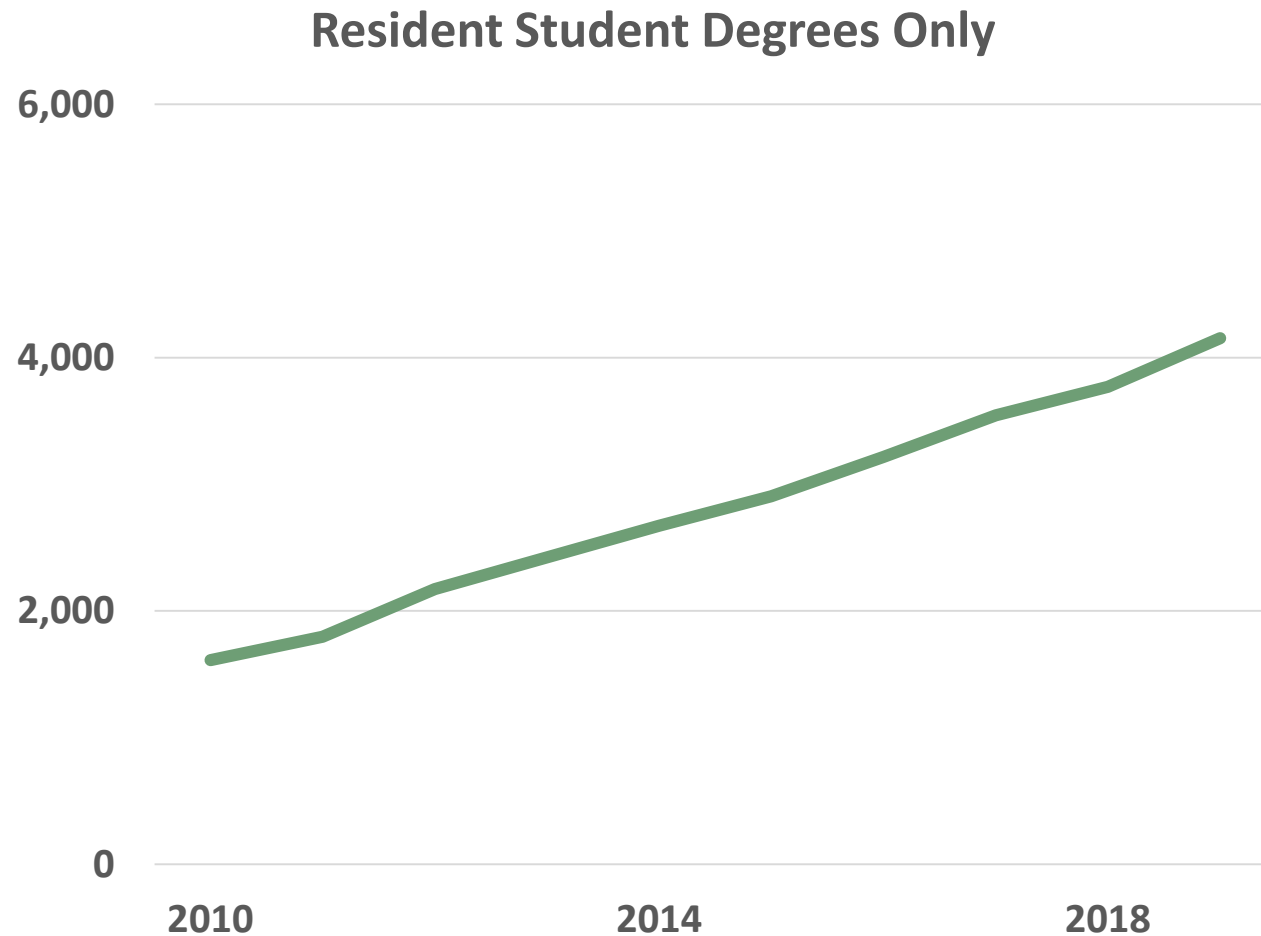
- Includes degree completions at all levels
- Transfer bachelor degrees are discounted
- Additional weights for underserved students and completions in critical areas



How well
has the
formula
worked?



Degrees Awarded to Underrepresented Students Are Growing

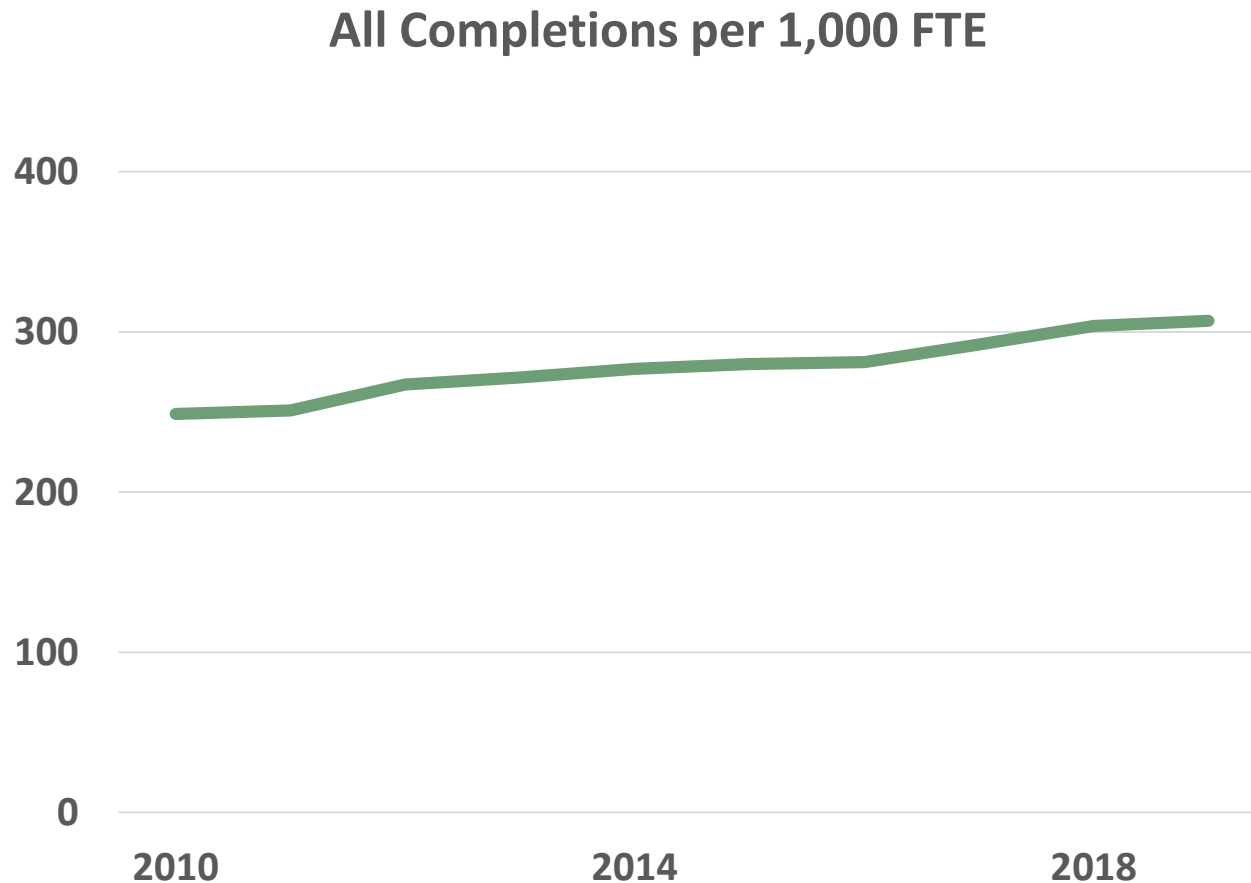


The number of degrees awarded has grown 10% annually since 2009

The percent of degrees awarded is now at 22% of total resident degrees up from 9% in 2010

Includes low-income, underrepresented minority, rural and military veteran

Completion Rates Are Improving



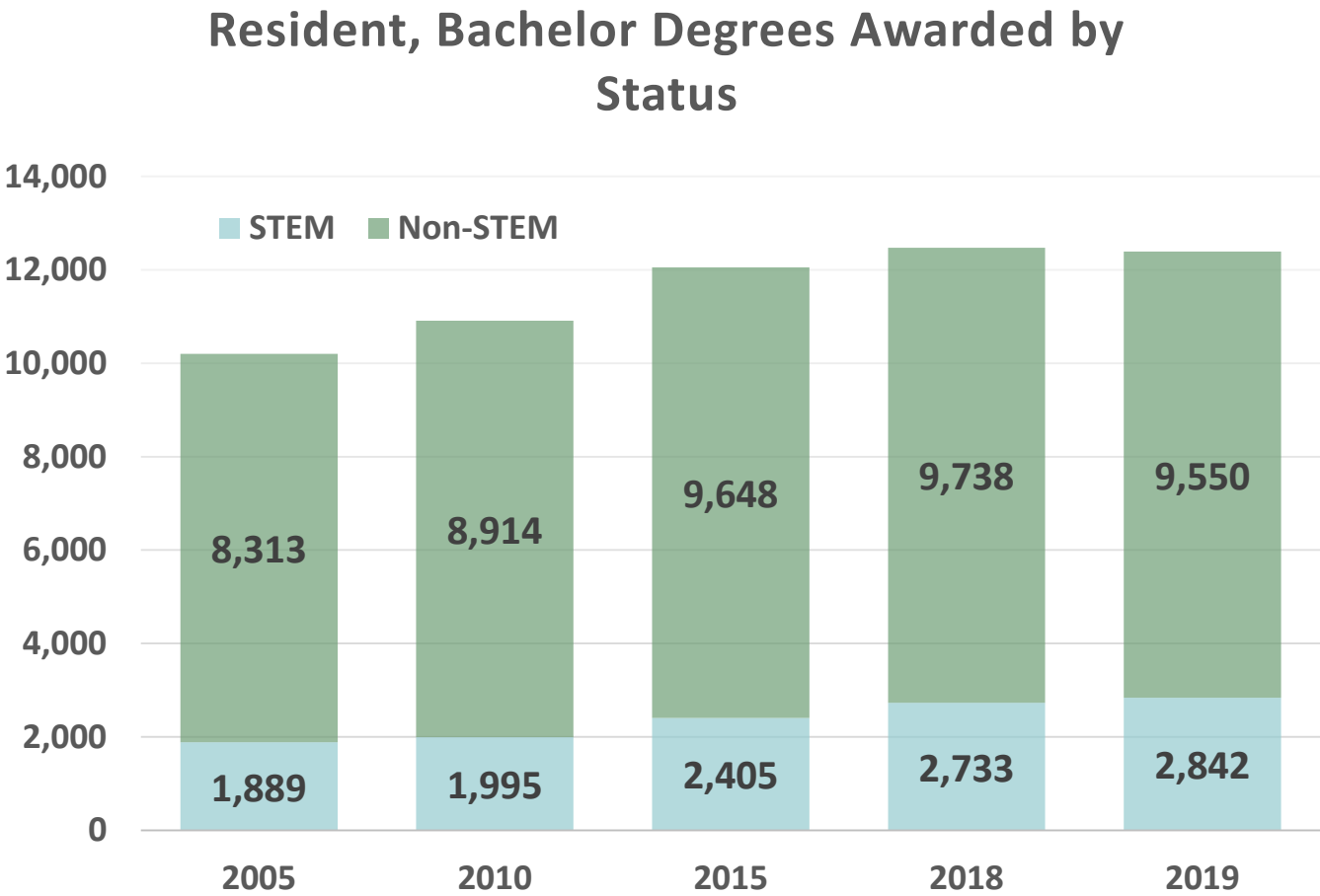
The number of annual completions has grown 26% since 2010 to over 25,000 in 2019 for all completions

The number of completions per 1,000 FTE accounts for enrollment fluctuations

Annual compound growth of 2.3% increasing from 249 in 2010 to 307 in 2019

Note: Includes undergraduate and graduate certificates, bachelor's degrees, and advanced degrees.

STEM Completions Are Growing



50% growth in total STEM degrees awarded since 2005 compared to 21% in total degrees

STEM degrees as a percentage of the total up to 23% compared to 19% in 2005

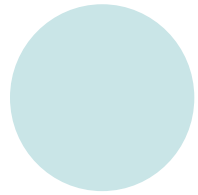
Our Conclusions

The basic
architecture of
the formula
works

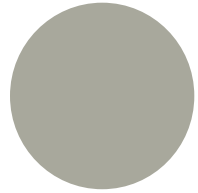
It supports the
State's goals and
holds universities
accountable for
results

It is worthy of
additional
investment by
the Legislature

2019-2020 Funding Formula Review Process



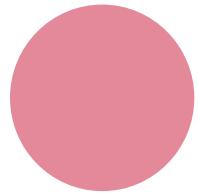
21 Workgroup members appointed in July 2019 by institutions and associations



Workgroup membership included institutions, students, faculty and consulting experts



14 Meetings held October 2019 through October 2020; 44 hours of meetings; pause for pandemic response



Workgroup advised HECC staff; public updates and discussion at HECC meetings

Guiding Principles for the 2019-20 Review



Assumptions

- Objective formula designed to maximize student success
- Formula designed to meet state's higher education goals
- Local governance with central coordination

Guiding Review Principles

- Focus on student success with emphasis on equity
- Encourage attainment in high-demand fields
- Recognize distinctions in mission
- Recognize cost differences
- Clearly defined, current data
- Clarity, simplicity and stability

Process and Technical Recommendations

Hold periodic interim advisory group meetings to discuss technical formula issues; collect surveys

Change the definition of STEM, update bilingual education measure, and one degree per student

Modernize the cost weights and apply graduate education adjustment


Make the area of study bonus additive rather than multiplied by the cost weight

Policy Recommendation – Transfer Weighting

Currently, discount is applied only to community college transfers

The discount recognizes that not all the instruction occurs at the awarding institution

Further collaboration across sectors is possible underscoring transfer pathways



**Apply transfer
weighting to all
transfer students
alike and then also
apply CC transfer
bonus**

Policy Recommendation – Mission Differentiation

Current design is 33 line items across three components: mission, regional and research support

No more line items – four components: base payment, regional access, research and public service

Significantly simplified with a limited amount of funding



**Simplify mission
differentiation
funding with more
objective design**

Impact on Total Funding Distribution

	Current	Revised	Variance	
EOU	20,996,848	20,592,957	(403,891)	(1.9%)
OIT	29,421,165	28,404,012	(1,017,153)	(3.5%)
OSU	134,780,800	129,839,083	(4,941,717)	(3.7%)
PSU	99,712,572	102,211,830	2,499,258	2.5%
SOU	22,696,196	23,636,022	939,826	4.1%
UO	75,630,667	77,409,949	1,779,282	2.4%
WOU	26,842,063	27,986,458	1,144,395	4.3%
TOTAL	\$ 410,080,311	\$ 410,080,311	-	-

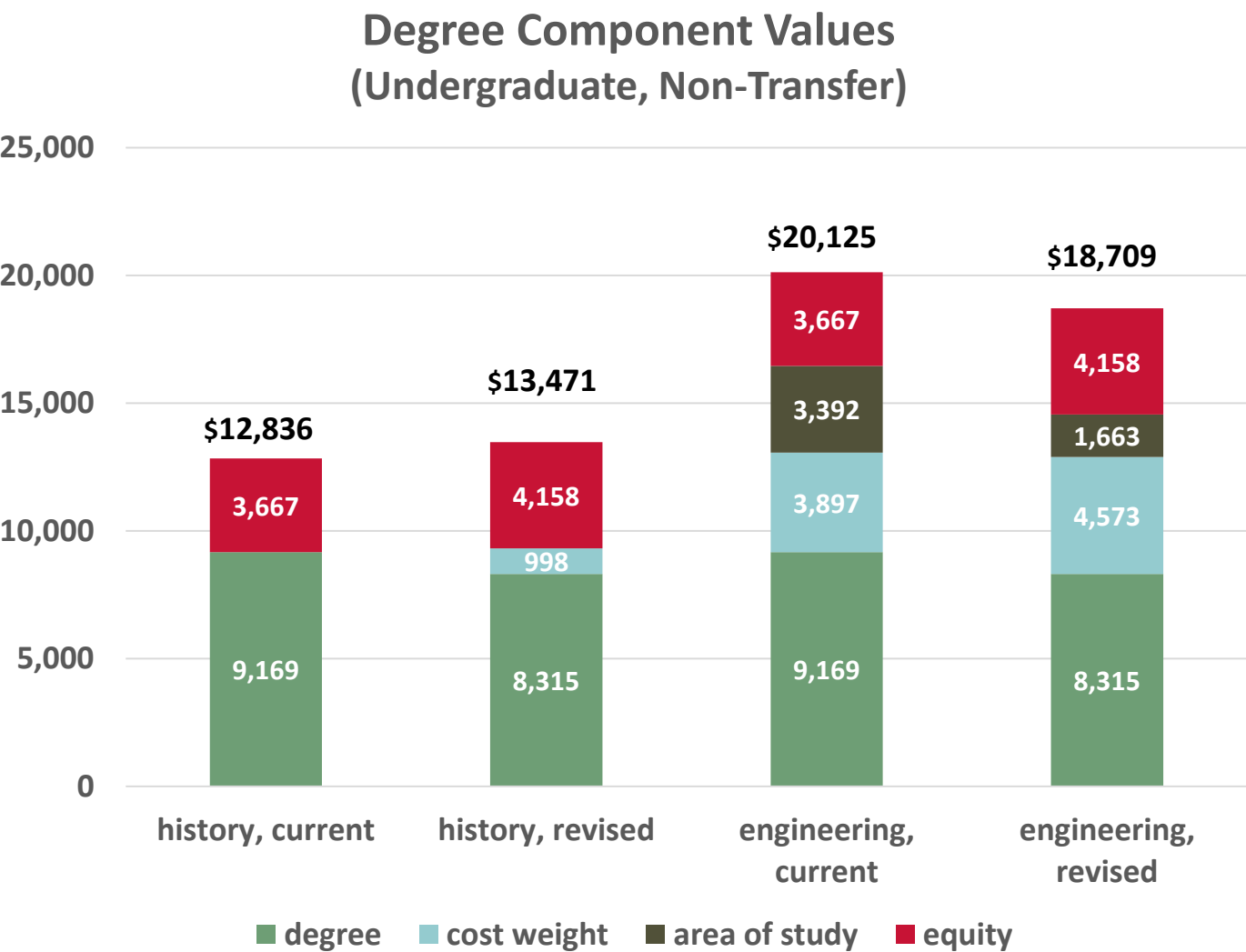
Total funding distribution by institution before and after the recommended improvements using FY2020 data

Formula Funding per Resident FTE

	Current	Revised	Variance	
EOU	13,172	12,919	(253)	(1.9%)
OIT	11,439	11,044	(395)	(3.5%)
OSU	8,346	8,040	(306)	(3.7%)
PSU	6,518	6,681	163	2.5%
SOU	8,607	8,963	356	4.1%
UO	6,668	6,824	157	2.4%
WOU	7,358	7,672	314	4.3%
TOTAL	\$7,702	\$7,702	-	-

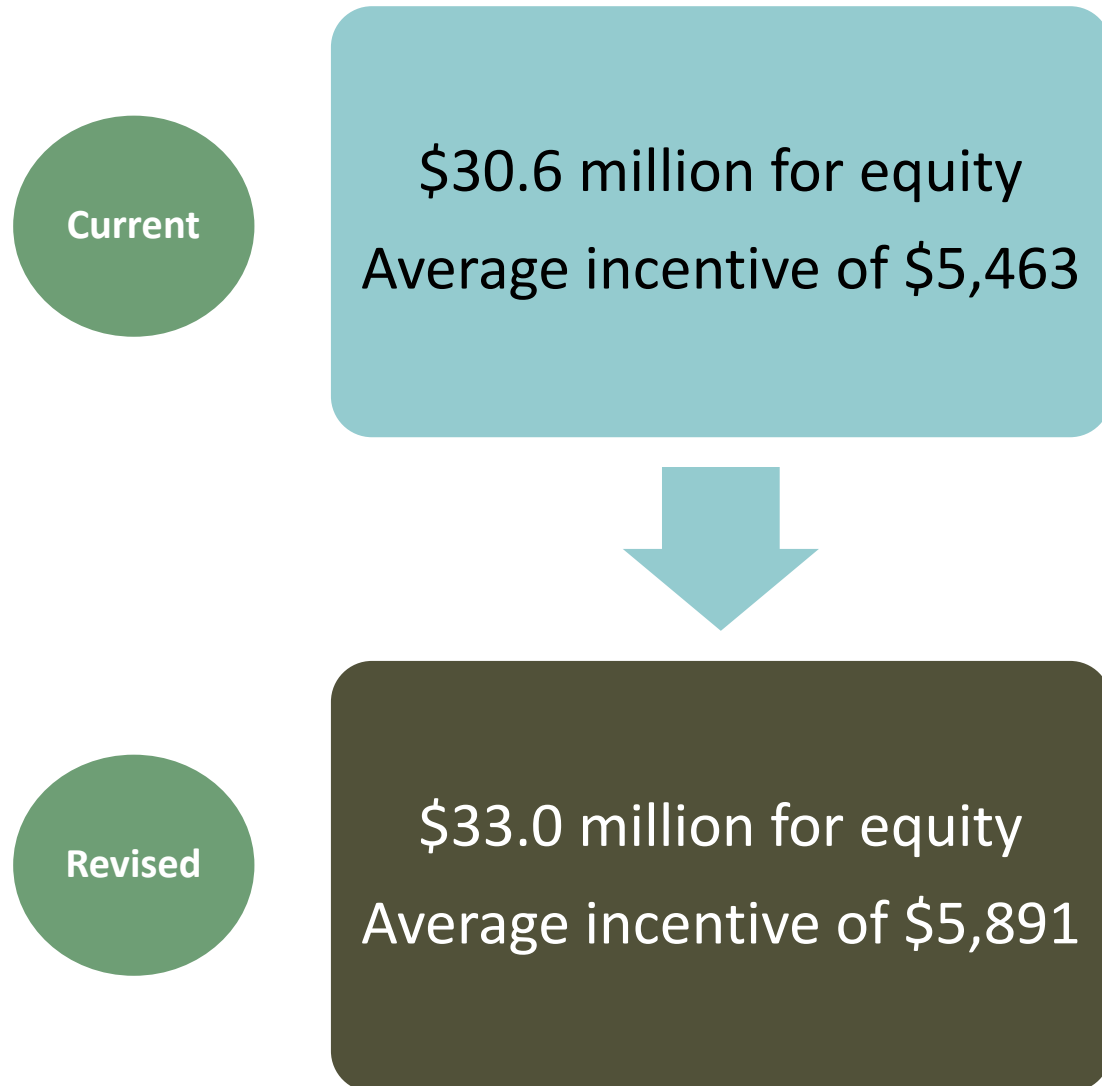
- Total funding distributed for all components of the formula divided by the number of full-time equivalent (FTE) resident students enrolled
- Mirrors the trend in overall funding; Changes are largely due to mission differentiation redesign

What's a degree worth?



- This is for undergraduate, non-transfer degrees in history and engineering for illustration
- The general value of the degree is reduced as a result of more outcomes points due to the transfer degree changes
- The value for the area of study decreased by half while the equity bonus increased by 13% (assuming one criteria)

A Focus on Equity

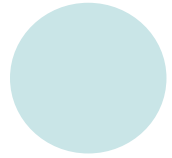


One of fifteen states to include race as a consideration; weights vary from 20-100%

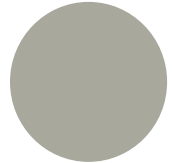
Recommendation is to increase the targeted population bonus from 40% to 50% (for one criteria; 55-60% for two or more criteria)

Interim advisory group to consider progress and additional design changes

Summary – what will these accomplish?



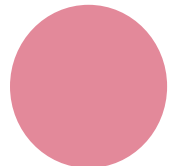
Update data definitions and simplify calculations to focus on existing policy priorities



Streamline the treatment of transfer students incentivizing collaboration to promote student success

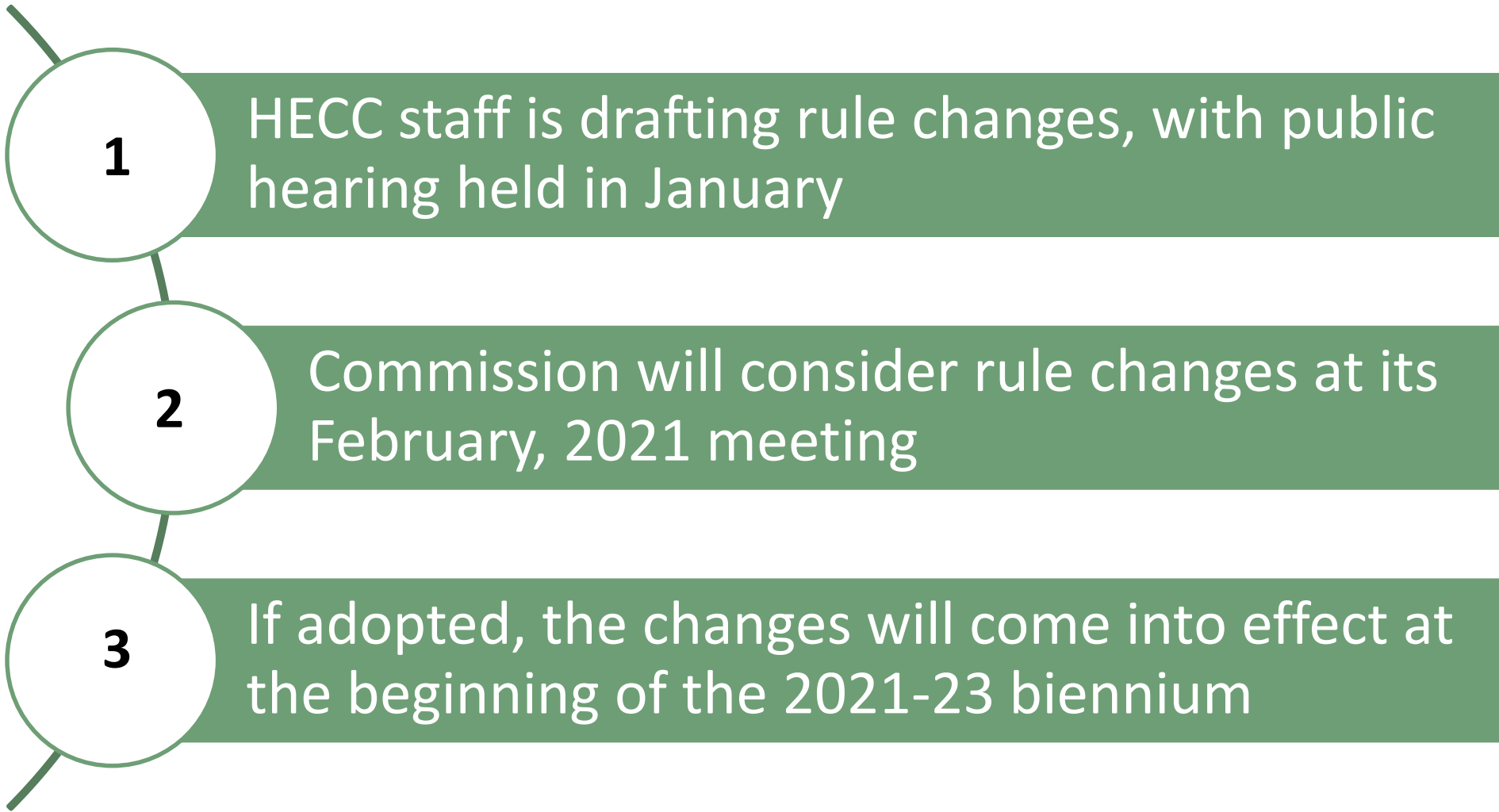


Update the cost weights to properly recognize existing cost structures and prioritize undergraduate education



Simplify mission differentiation to focus on funding stability and regional access with a more objective design

Next Steps



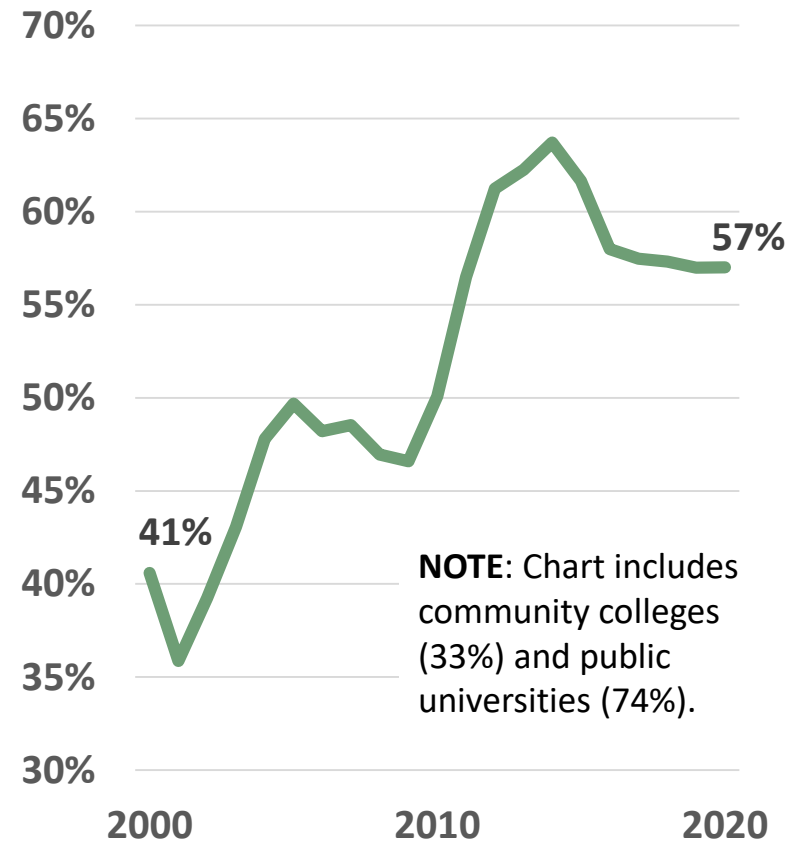
Finally: The Bigger Picture

Public funding
31st in nation

18% below
national
average

10% reduction in
per FTE funding
since 2000
(adjusted for inflation)

Tuition as Share of Total
E&G Revenue



For every extra \$1,000 per student a state spends on its public, four-year colleges...

- 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%
- The total amount a student borrows decreases by over \$5,000 by age 35

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.

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

Source: [2019 State Higher Education Finance \(SHEF\) Report](#), Tables 3.2, 3.4 and 3.5.



3225 25th Street SE, Salem, OR 97302
www.oregon.gov/HigherEd

Mission Differentiation Funding

	Current	Revised	Variance	
EOU	11,832,221	11,363,525	(468,696)	(4.0%)
OIT	13,980,522	10,511,112	(3,469,410)	(24.8%)
OSU Corvallis	15,116,865	10,100,000	(5,016,865)	(33.2%)
OSU Cascades	2,840,807	3,115,040	274,233	9.7%
PSU	4,235,987	8,195,661	3,959,674	93.5%
SOU	8,912,464	10,324,776	1,412,312	15.8%
UO	4,543,582	7,595,968	3,052,386	67.2%
WOU	7,586,611	9,392,684	1,806,073	23.8%
TOTAL	\$69,049,059	\$70,598,766	\$1,549,707	2.2%

- Objective calculations; base funding and regional access use design elements from CCSF
- Research is based on 3-year average of research spending capped at \$5 million total
- Public service is a dollar value per resident FTE with a cap per institution

Mission Differentiation Funding per Resident FTE

	Current Design	Revised Design	Flat Funded Design
EOU	7,423	7,129	6,274
OIT	5,436	4,087	3,888
OSU Corvallis	980	654	648
OSU Cascades	3,957	4,338	4,178
PSU	277	536	654
SOU	3,380	3,915	3,792
UO	401	670	882
WOU	2,080	2,575	2,741
TOTAL	\$1,297	\$1,326	\$1,371

- Looks at funding per resident FTE in the current design (\$69.0M) versus the revised design (\$70.6M)
- Funding per FTE is included for a flat-funded design (\$73.0M) for illustrative purposes
- The funding per FTE will vary substantially based on the size of the institution