

**Oregon University System  
Supplemental Information Regarding the 30% Budget Reduction Exercise  
2009-11 Biennium**

On March 13, 2009 we received the following instructions from Ken Rocco, Legislative Fiscal Officer:

“In order to provide additional options and flexibility for legislative leadership and the Joint Committee on Ways and Means during their deliberations on the 2009-11 legislatively adopted budgets for state agencies, LFO is now requesting the development of revised reduction options for the 2009-11 biennium. These reduction options should total 30% in reduction options in 5% increments from the 2009-11 EBL and be comprised of two sections. First, estimate the 2009-11 roll-up amounts for permanent reductions taken as part of the 2007-09 rebalance plan as described by SB 5552 (if you have questions about the nature of the 2007-09 reductions, consult your LFO analyst). Second, please provide revised, updated additional reduction options to total 30%. Indicate in the comments column of the form when these reductions were included in the Governor’s recommended budget.”

This document has been prepared to better explain the rationale, guiding principles and details of the reductions proposed under a budget reduction scenario up to 30% from the 2009-11 essential budget level. For OUS this essential budget level is broken down as follows:

E&G EBL	\$839.9M	30% reduction = \$252.0M
Agric. Exp. Station	\$ 64.2M	30% reduction = \$ 19.2M
Extension Service	\$ 47.0M	30% reduction = \$ 14.1M
Forest Res. Lab.	<u>\$ 7.0M</u>	30% reduction = <u>\$ 2.1M</u>
Total OUS	\$958.0M	30% reduction = \$287.4M

In addition, it should be noted that the above referenced totals include \$85.5M in debt service on Article XI-G bonds, Lottery bonds and other debt backed by the State’s General or Lottery funds. Thus, due to the necessity of paying this debt service that amount cannot be reduced, thereby requiring OUS to absorb the 30% reduction on this amount or \$25.7M out of its operating budget, resulting in a net reduction of 33% in its operating budget.

It also must be stated that the Board of Higher Education does not believe that such a reduction is possible if the State is to remain in compliance with the terms and conditions of the federal support provided to the State of Oregon under the American Recovery and Reinvestment Act (ARRA). Thus, it is the belief of OUS that many of these cuts could and must be reduced through the use of state appropriations under maintenance of efforts provisions of the ARRA and application of federal stimulus funding. However, because exact amounts of such funding are indeterminate at this time, no estimate of the magnitude of these offsets is being made in these reports.

The goals adopted by the Board in its 2006 Long Range Plan guide our decisions. The goals, in summary, include:

- a. Create an educated citizenry while ensuring access for all qualified Oregonians to quality postsecondary education;
- b. Ensure high-quality student learning;
- c. Create original knowledge and advance innovation; and

- d. Contribute to the economic, civic, and cultural life of communities in all regions of Oregon.

At its regular March meeting, the Board of Higher Education considered several budget principles that were intended to ensure that the achievement of the goals was kept paramount. For brevity, these are paraphrased here.

- a. Maximize educational opportunity, access, and attainment for Oregonians in all regions of Oregon;
- b. Preserve quality as the highest priority consideration, even if access must be reduced;
- c. Preserve the capacity to advance innovation through research and development;
- d. Make cuts strategically and not across-the-board, preserving or reducing programs based on advancing mission and recognizing points of excellence and innovation; and
- e. Focus on ends (e.g., learning outcomes and degrees).

In addition, at the April meeting of the Board, the following principles and guidelines were reaffirmed:

- For any resident undergraduate tuition increases above 3.6%, 30% of the revenue generated must be made available as need based aid to preserve access and affordability for Oregon students;
  - Instruction, student services and research would be protected to the extent possible, thus meaning that public service and other areas would be cut disproportionately more, thus:
    - Public services would be cut more than 30%
    - Funding for the Cascades campus of OSU would be cut more than 30%, with the understanding that in accordance with the latest version of SB 442, postsecondary institutions serving eastern and central Oregon would work together to determine a better and more efficient means of serving the educational needs of eastern Oregon.
- Salary costs will be reduced by 4.6% in 2009-11;
- State support for certain professional programs would be reduced or eliminated over the next three biennia;
- Coupled with appropriate need-based financial aid, differential tuition would be contemplated for high cost or high demand upper division and graduate programs or as a means of managing enrollment across the system;
- In order to place the small schools on a more financially sustainable basis the Board decided to reduce the small school support funding by less than 30% with the requirement that these institutions:
  - Will share support services and financial administration; and
  - Will limit their curricula to core programs, spires of excellence and professional programs responsive to regional needs—with the programs to be determined by the Board of Higher Education.

Regardless of these principles which reiterate the importance of trying to continue to keep OUS institutions focused on student access and success, a 30% budget reduction will lead to significant tuition increases and loss of instructional capacity thereby resulting in reduced numbers of Oregonians being served. This is extremely unfortunate as this is happening at a time when, due in large part to the economic uncertainties, the demand for higher education is at an all time high. Thus, despite the best efforts of OUS in addressing these challenges, institutions will not be able to continue to serve the

current enrollment and will need to tell prospective students that they cannot be served. With cuts of 30% it is estimated that up to approximately 5,000 current students and an equal number of prospective students may be turned away in 2009-11 due to these challenges.

The next section of this report provides greater detail regarding the reductions itemized on the attached spreadsheet:

1. Reductions to public service, academic support and institutional support
  - a. In accordance with the Board principles outlined above, campus public services will be reduced more than 30%. At a 30% reduction level the Board is recommending a 60% reduction in public service program funding. Actual reduction will be left to the discretion of the campuses with the understanding that these actions will be guided by the principles outlined above. Campus public services include the following:
    - i. EOU – Small Business Development Center, Rural Oregon Initiative, Mine Safety Program, High School Outreach Program and Rural Access Initiative – total 2007-09 General Fund budget of \$1,068,314 (before reductions)
    - ii. OIT – none
    - iii. OSU – Veterinary Diagnostic Laboratory, Natural Resource Institute and Climate Center – total 2007-09 General Fund budget of \$3,451,467 (before reductions)
    - iv. PSU – CAE Community University, Pacific Historical Review, Math, Science and Engineering Achievement (MESA) Program, Institute for Tribal Government, Institute for Portland Metropolitan Studies, Population Research Center, Dispute Resolution Center, Oregon Solutions, Leadership Institute – total 2007-09 General Fund budget of \$5,272,185 before reductions.
    - v. SOU – Jefferson Public Radio, Rogue Valley Television, Small Business Development Center – total 2007-09 General Fund budget of \$217,752 before reductions.
    - vi. UO – Bach Festival, Labor Education Research Center, Museum of Art, Portland Center, Information Graphics, Composition Literature Journal, TACS/WRRC, Institutional Equity, KWAX radio, Center for the Study of Women in Society, Community Services Center, Dispute Resolution Center – total 2007-09 General Fund budget of \$3,304,766 before reductions.
    - vii. WOU – Public Services Program support – total 2007-09 General Fund budget of \$3,354 before reductions.
  - b. Academic support includes programs and services intended to support academic units. Included in this category are deans' offices, library operations and instructional related computer support services. Reductions will impact the support services available to the academic units on campuses, such as reduced equipment replacement funding, computer support services, reduced library acquisitions or reduced library hours.
  - c. Institutional support includes administrative support services for the university. Functions in this area include chancellor's, presidents', provosts', development and finance offices. Cuts in these areas will result in less administrative support for the institution/system and can affect support for the Board/campus, fund raising ability, compliance, reporting and internal controls available on the campuses.
2. Salary Reductions @ 4.6% – in accordance with guidelines developed by the Governor's Office the Board has directed universities to reduce their salary costs by 4.6% in 2009-11. Obviously, this will be subject to collective bargaining with all affiliated labor unions. For SEIU, OUS will

follow the lead of DAS in adopting whatever they are able to negotiate. This presently is in the form of 24 unpaid furlough days in the 2009-2011 biennium. For faculty, some of whom are members of collective bargaining organizations and some of whom are not, OUS will attempt to achieve a salary reduction of 4.6%. Many administrators are already taking voluntary 4.6% pay reductions in the last four months of the 2007-09 biennium and it is the Board's intention to continue this on a mandatory basis in 2009-11. At 30% reductions, some campuses are proposing to reduce salaries or FTE by an amount greater than 4.6%.

3. Tuition increases - the Governor's Recommended Budget (GRB) includes a 3.6% per year increase in resident undergraduate tuition.
  - a. Reductions from the GRB will necessitate additional tuition increases at all campuses in order to protect quality, preserve class sections and otherwise continue to serve a significant increase in new enrollment. Board policy as outlined above requires that for any increases in resident undergraduate tuition above this base amount of 3.6% per year 30% of the incremental revenue must be made available for need based financial aid in order to protect access and to offset the need for additional Oregon Opportunity Grant funding through the Shared Responsibility Model.
    - i. Average Tuition increases for resident undergraduate students and the estimated impacts these increases coupled with course and program reductions will have on enrollment are as follows:
      1. GRB/EBL – 3.6% per year – no impact on enrollment
      2. 5% reduction – 3.6% per year – no impact on enrollment
      3. 10% reduction – 5.5% per year – no impact on enrollment
      4. 15% reduction – 7.8% per year – new enrollment/growth suppressed
      5. 20% reduction – 9.4% per year – no capacity for growth and some loss of enrollment
      6. 25% reduction – 10.7% per year – loss of ~2,500 current students
      7. 30% reduction – 12.0% per year – loss of ~5,000 current students
  - b. All campuses have shared their plans for tuition increases with their student government leaders. For some campuses, this increase may take the form of the elimination or modification of the tuition plateau. Others are recommending differential tuition in high cost or high demand programs.
  - c. The Board is recommending a common admissions process and differential tuition by campus based on demand and capacity issues in order to better manage the total enrollment of the system and shift enrollment demand from institutions at capacity to those with remaining instructional and facilities capacity.
  - d. For some professional programs the Board is recommending that campuses consider moving these programs to be fully self-supporting through the phase out of any State support over a three biennia time frame.
  - e. For EOU the Board is recommending a non-resident tuition surcharge of \$200-\$300 per term for students not from the Pacific Northwest.
  - f. At the 30% cut level due to average tuition increases of 12% per year and the elimination of academic programs and reduced class sections, both new demand and existing enrollment are projected to decline. It is estimated that this could lead to a loss enrollment of approximately 7% or ~5,000 FTE students. (It should be noted that all campuses are expecting to increase enrollment next year in the absence of state funding reductions due to record demand for enrollment by Oregonians.)

4. Program eliminations and reductions - as cuts get progressively higher campuses have little choice except to lay off staff and faculty resulting in fewer programs and services being available to students and the public.
  - a. Small school support – as noted above small school support funding will be reduced less than 30% with the understanding that small schools will attain financial sustainability by reducing their recurring levels of expenditures by:
    - i. Limiting their programs to core curriculum plus spires of excellence and professional programs that are responsive to the needs of the region; and
    - ii. Sharing support services and financial administration.
  - b. OSU Cascades Campus – as noted above funding for Cascades will be reduced by more than 30% with the understanding that OSU, working with EOU, Central Oregon Community College, and other postsecondary institutions serving the region will work to find a better, more efficient means of serving the higher education needs of eastern Oregon’s citizens.
  - c. All institutions will need to layoff faculty and staff as a result of a 30% budget reduction. Thus, as faculty members are laid off the number of course sections will need to be reduced, and in some cases, entire programs will need to be eliminated. For example, at 30% reductions:
    - i. OSU is proposing to eliminate its Agriculture program at EOU;
    - ii. Campuses estimate that more than 2,500 course sections would be eliminated resulting in larger class sizes, fewer offerings and possibly leading to longer times to graduate, diminished quality, etc.
    - iii. As noted above, cuts in the magnitude of 20% - 30% will lead to fewer students being enrolled. At 30% campuses estimate that current enrollment would decline by about 7%, meaning that approximately 4,850 current students, as well as approximately 5,000 prospective students who hope to do so, would not be able to attend an OUS institution in 2009-2011.