

Education

DEPARTMENT OF HIGHER EDUCATION

	1999-2001 Actuals	2001-03 Legislatively Adopted at Close of Session	2001-03 Legislatively Approved through Fifth Special Session	2003-05 Governor's Balanced
General Fund	\$755,057,213	\$808,062,568	\$755,451,538	\$779,884,024
Lottery Funds	4,551,761	6,247,457	5,966,271	8,844,960
Other Funds	886,497,062	1,176,146,471	1,286,117,412	1,249,350,881
Federal Funds	0	0	0	0
Other Funds (Nonlimited)	1,413,451,455	1,803,802,145	1,803,802,145	1,985,931,713
Federal Funds (Nonlimited)	0	0	0	0
Total Funds	\$3,059,557,491	\$3,794,258,641	\$3,851,337,366	\$4,024,011,578
Positions	12,871	13,188	13,064	14,540
Full-time Equivalent	11,469.52	11,786.42	10,942.39	11,819.50

Overview

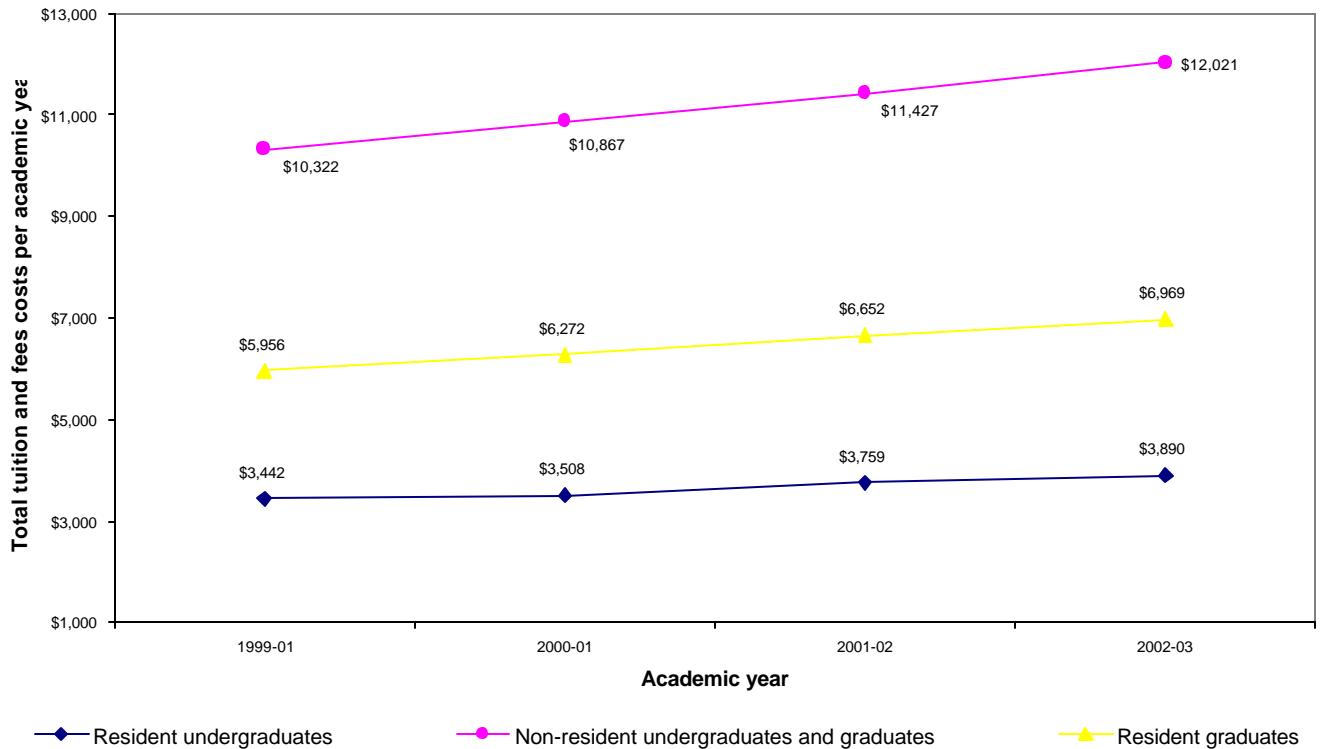
The Department of Higher Education is the state agency name for the educational institutions, governing board, central administration, support services, and public services that make up the Oregon University System (OUS). The institutions consist of the University of Oregon, Oregon State University, Portland State University, the three regional universities (Eastern, Western, and Southern Oregon universities), and the Oregon Institute of Technology. Oregon State University also operates the new Cascades Campus in Bend and the three statewide public service programs, the Agricultural Experiment Station, the Extension Service, and the Forest Research Laboratory.

Education programs are primarily funded with General Fund and revenue from tuition and fees charged to students. General Fund and student fees are the major sources of income for classroom activities and have increased significantly since the passage of Ballot Measure 5 in 1991. Fees charged to students, including various educational resource fees, a technology fee, a building fee, a health services fee, an incidental fee, and, for the past two years, an energy surcharge fee, are growing at a faster rate than tuition.

Over the past four years, as shown in the following chart, total tuition and fees have grown at an annual rate of 4.3 percent for resident undergraduates and between 5.5 percent and 5.7 percent for graduates and non-resident undergraduates. A tuition surcharge approved by the Board of Higher Education in the event that Ballot Measure 28 (2003) is not adopted is not included in these calculations. For students carrying 12 credit hours, this surcharge would increase costs by eight percent to nine percent for undergraduates and three percent to five percent for graduates.

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Average Tuition and Fees 1999-2001 through 2002-03



Balanced Budget

The Governor's balanced budget is \$4.0 billion total funds, a 5.2 percent increase from the 2001-03 Legislatively Approved Budget (LAB) through the Fifth Special Session. The General Fund budget of \$779.9 million is increased by 3.2 percent; this amount is 3.5 percent lower than the 2001-03 Close of Session LAB. Reductions include the 2003-05 impact of specified and unspecified reductions made in the 2002 Third and Fifth special sessions, a shift of General Fund expenditures to tuition and fee revenues, and elimination of merit increases for the 2003-05 biennium.

The Education and General Services program unit includes the instruction, research, public service, and operating costs of the seven institutions and centralized administration and support services. The Legislature appropriates funds and provides Other Funds expenditure limitations for the Department as a whole rather than to the individual institutions. The State Board of Higher Education allocates these funds to the various campuses and programs in annual budgets, based on enrollment in 17 different academic levels and programs, referred to as "cells." If the cells were funded at 100 percent, the Department's General Fund budget would be equal to the median funding of its peer institutions across the country. If enrollment in the 2003-05 biennium increases as projected, the cell values will be funded at approximately 65 percent, reduced from 77.5 percent in the 2001-03 Close of Session LAB.

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Enrollment is growing rapidly throughout the system, with increases of approximately six percent in each of the past two academic years. Although slightly slower growth is projected for the next several years, institutions are approaching physical and resource capacity limits. The University of Oregon is experimenting with a tuition model that gives discounts to students taking courses in the afternoon when facilities are underutilized. Other campuses are considering increasing admission standards to limit enrollment. As General Fund resources are reduced, the Department must balance higher costs to students, full access for all qualified Oregonians, and quality of educational programs.

The impact of General Fund reductions on affordability, access, and educational quality will depend on decisions by the Board and the campuses regarding tuition and fee rates, one-time administrative actions, and use of available fund balances. Even with legislative constraints on tuition increases, the Department was able to partially mitigate the impact of reductions in the 2001-03 biennium.

The budget does not include additional General Fund for enrollment growth. Annual tuition increases of two percent for resident students and three and one-half percent for non-resident students are included in the balanced budget. Generally, enrollment of non-resident students is not included in the allocation model that distributes General Fund among the campuses. Revenue from one percent of the tuition increases is used to offset General Fund costs.

Enhanced funding for engineering programs included in the 2001-03 Close of Session LAB is continued at approximately 90 percent of the original level, pending the Board's review of the General Fund allocation model. A significant investment of resources from the private sector is expected to continue in the 2003-05 biennium to assist in increasing engineering graduates and improving program quality.

The General Fund budgets for the Agricultural Experiment Station, Extension Service, and Forest Research Laboratory are reduced by approximately three percent to five percent from the 2001-03 Close of Session LAB as a result of the 2002 special session reductions. The Department indicates that the reductions will limit the ability of the three programs to conduct research and provide services to citizens.

Twenty-seven Capital Construction projects are funded for a total funds cost of \$355.2 million, including project reserves. Projects include expansion of Reser Stadium at Oregon State University, construction of an athletic arena at Portland State University, expansion of alumni center facilities at the University of Oregon, and construction and remodeling of housing, dining, student health and fitness, and parking facilities at four campuses. Except for \$12.5 million in General Fund and \$12.5 million in Article XI-G bonds for modernization and maintenance of academic facilities system-wide, no projects are included in the budget that directly or indirectly obligate General Fund in the 2003-05 biennium. The primary revenue source for these projects are Article XI-F (1) bonds and donations. Debt service on Article XI-F (1) bonds is paid with revenues from student unions, dorms, parking structures, and similar self-supporting programs and student building fees.

Revenue

The Department's General Fund appropriation is distributed to the campuses and to centralized services by the Resource Allocation Model (RAM). The RAM distributes the majority of the General Fund that campuses receive for their Education and General programs based on full-time equivalent student enrollment. The funding amount varies by 17 different academic levels and program types, commonly called "cell values."

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The remaining General Fund support to campuses, and all General Fund support for centralized services, is distributed in the RAM through targeted programs. Targeted programs include all funding that is not on a direct enrollment basis. Targeted programs are designed to address the costs of the system that are not directly related to enrollment levels.

Proceeds of the Sports Action Lottery game are used to finance intercollegiate athletics and graduate student scholarships. General Lottery proceeds are allocated for debt service on Lottery-backed bonds for Capital Construction projects.

The primary sources of Other Funds for the Education and General Program are tuition and fees. Other sources include sales and charges for services, indirect cost recovery on grants, and other miscellaneous revenues.

The Oregon State University statewide public service programs Other Fund revenues are received from sales and service fees, indirect cost recovery on federal grants, interest earnings, donations, research contracts with private entities, and miscellaneous income. Federal grant funds are expended as Other Funds.

Nonlimited revenue sources are dedicated to a specific purpose and are independent of General Fund and limited Other Funds supported programs. The revenue sources include student aid funds, food service and other enterprise sales, dormitory fees, health service fees, and course fees for non-credit continuing education programs, among others. Nonlimited funds also include gifts, and sponsored research financed by the federal government, private industry, and other private groups. These Nonlimited funds, the major source of support for research, also directly benefit and enhance the instruction and research programs supported by the General Fund and tuition revenue.

The construction, renovation, and acquisition of instructional and public service buildings have been financed equally by the General Fund and Article XI-G general obligation bond proceeds. Debt service on Article XI-G bonds is paid with General Fund.

Construction of student unions, dormitories, parking structures, and similar projects are generally financed from auxiliary enterprise balances and the proceeds of Article XI-F(1) bonds. In addition, revenue from self-supporting projects, gifts, grants, and donations are a major funding source for Capital Construction. Debt service on Article XI-F(1) bonds is generated from revenues from self-supporting programs and student building fees. Recently the Department has used Article XI-F(1) bonds to construct certain instructional facilities as well, for which some or all of the debt service is charged to the instructional units occupying the facility to be repaid with general operating revenues (General Fund and Other Funds from tuition and fees).