



A New Funding Model: Mission Possible

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Overview

- A. Why the need for change?
- B. What is the Resource Allocation Model (RAM) and how does it work?
- C. Strengths: Who benefits?
- D. Weaknesses: Who loses?
- E. Effects of reduced state support on the RAM
- F. Future of the Model?



Oregon University System

Fast Facts

- Seven universities
- Student population: from 2,255 FTE at Eastern Oregon University to 18,113 FTE at the University of Oregon
- Largely rural locations (excluding Portland State University)
- A wide range of university missions
- State funding support—average to below average



Why the need for change?

- Previous methodology:
 - Too complex
 - Centralized control: *all* funds allocated centrally
 - Limited flexibility for universities



Why the need for change?

- Board/Legislature concerns (1997):
 - Increased institutional autonomy / less System and state control
 - Dollars follow the students
 - Create performance indicators
 - Expand access
 - Ensure employability
 - Enhance cost effectiveness



What is the model and how does it work?

- New model: principles
 - Ensuring student access to valuable educational experience
 - Promoting high-quality specialties
 - Improving cost effectiveness
 - Tuition and fees remain on campus, and the majority of the state appropriation would be allocated on a per-student basis



What is the model and how does it work?

- Translating principles into a reality-based model
 - Foundation: peers* and comparator information
 - funding comparisons
 - faculty salaries
 - performance measures
 - Recognition of Oregon residents, demographics, and social and economic environments

**See attachment A*



What is the model and how does it work?

- Conceptual framework of the RAM
 - A core operations component, which is predominantly enrollment-driven
 - A mission-specific component
 - An incentive funding component



What is the model and how does it work?

- The enrollment-driven methodology assigns state revenue values based on level of student instruction and discipline costs derived from average actual expenditures
- Tuition and fees, while not recognized in the state funding model, are assumed to represent approximately 50% of enrollment-driven program costs



What is the model and how does it work?

- Enrollment-driven programs
 - Student level
 - freshman-sophomore
 - junior-senior
 - master's and professional
 - doctoral
 - Discipline funding level: escalating cost per FTE*
 - level 1, level 2, and level 3
 - Separate cells
 - law, pharmacy, and veterinary medicine

**See attachment B*



What is the model and how does it work?

Enrollment-Driven Revenue Calculation for State Funds *

| | Freshman/ Sophomore | Junior/ Senior | Master's | Doctoral |
|---------------------|------------------------|-------------------|----------|----------|
| Level 1 | \$2,866 | \$3,689 | \$4,665 | \$8,995 |
| Level 2 | 3,597 | 4,604 | 6,312 | 10,520 |
| Level 3 | 5,153 | 6,982 | 9,056 | 13,264 |
| Law | | | 9,971 | 8,782 |
| Pharmacy | | | 11,892 | 24,699 |
| Veterinary Medicine | | | 34,761 | |

* *State funding per full time equivalent
Disciplines by Cell—Attachment B*



What is the model and how does it work?

Cost, Level of Instruction, and Cell Value Example

- Intersection of Level 1 (low cost) and freshman-sophomore=\$2,866 per FTE
- \$2,866 is the cell value and represents the average cost of lower division disciplines found in Level 1
- \$2,866 is the state share of revenue to support 1.0 FTE
- Assumed in the aggregate that state and student share evenly the cost
- Goal—Limit the number of cells and limit model complexity



What is the model and how does it work?

- Enrollment-driven programs
 - The revenue requirement for each cell considers costs of educating a student and supports in part:
 - Instruction
 - Academic support (including libraries)
 - Student services
 - Institutional support
 - Physical plant



What is the model and how does it work?

- Targeted Programs (non-enrollment driven) 30% of state funding
 - Partnerships and collaborative programs
 - Research
 - Statewide Public Programs (OSU)
 - Public service programs
 - Central services / Central activities
 - Access (supplements small universities)
 - Specialty disciplines (Board priority)
 - Other



What is the model and how does it work?

- Performance*

Approximately .4% of the state General Fund student-driven allocation has been set aside to reward campuses for achieving performance targets. The performance measures and indicators flow from the Board's four goals:

Quality, Access, Employability,
and Cost Effectiveness

**See attachment C*



Strengths: Who Benefits?

- Board ? vehicle to discuss / highlight priorities
- Legislative/gubernatorial acceptance
- Greater university autonomy/control of funds
- 70% of state funding linked to comparator costs
- Increased focus on program and enrollment planning
- System assumes reduced role in control—increased role in ensuring accountability



Weaknesses: Who Loses?

- Updating of peer/comparator data*
- Simplicity invites superficial understanding and decisions
- Funding gaps with peers may create unrealized expectations
- Unfunded state share may be assumed by increased tuition expectations
- Recent legislative session reflected reduced per FTE support

**See attachment D*



Effects of reduced state support on the RAM

- Reduced value of cells
- Elimination of performance support
- Elimination of settle-up (enrollment growth)
- Disproportionate reduction on targeted programs
 - research
 - partnership programs
 - centralized services



Future of the RAM

- Uncertain
- Dilemma in balancing enrollment growth, declining state support (RAM cell value), and reasonable affordability for Oregon undergraduates
- Diminished state support—limits capacity to attain goal (median of peers)
- Best mechanism for continued budget bench-marking through peer comparison
- Options to RAM not good—focused largely on incrementalism