

## State Salary Pool: Who Shares the Responsibility?

**Issue:** If the Legislative Emergency Board does not release \$125 million appropriated for state agency salary increases in June, the Oregon University System (OUS) will lose \$28.5 million and will be forced to cut budgets for the 2008-09 academic year.

**Background:** In 2007 the Legislature established a State Salary Pool to enable state agencies to cover salary increases over the 2007-09 biennium. Due to concerns over revenue forecast reductions, the Legislature chose not to release these funds during the February 2008 supplemental session. Budget leaders said they would wait until the June 2008 revenue forecast (scheduled to be released May 29<sup>th</sup>) before making a decision.

Under guidance from the Governor last year, state agencies have already raised salaries. Salaries will not be affected by a decision to withhold these funds. Rather, agencies will have to cut programs. Across OUS, withholding these funds will result in fewer classes offered, lower graduation rates, reduced enrollments, and higher costs to students.

- The Governor and the Legislature deserve credit for doing the right thing last year by significantly increasing funding both for Oregon's public universities and for financial aid to Oregon students under the Shared Responsibility Model. Over the last year legislators have claimed rightful credit for reversing a decade of disinvestment.
- The investments are working. Due to the Shared Responsibility Model and increased funding to supply more classes and services, enrollments this fall are projected to increase. Applications from resident undergraduate students are up 15% across OUS. Oregon is providing opportunities and students who never dreamed of attending college are now able to pursue that dream.
- Withholding funds now would immediately stop the progress and shift the burden back onto the backs of students – or eliminate opportunities altogether. Universities would be forced to eliminate class offerings, services to ensure student success would be cut, and tuition may be increased. Access would be denied.
- Long term residual impacts of “boom-bust” investments are well documented. In 1999 the Legislature significantly increased support for universities and capped tuition. Enrollments climbed. But in 2002 and 2003 the Legislature cut funding and raised tuition. Enrollments declined, graduation rates fell, and Oregon lost ground.
- With classes due to start in September, Oregon's students cannot wait for a possible increase in the September forecast. If the Legislature does not release the funds in June, universities have no choice but to cut their budgets. Some universities are already struggling.
- Releasing the funds in June gives the Legislature time to rationally and equitably address the problem of future revenue declines. If future forecasts increase, there may be no need for a special session. If the forecasts continue to decline, then a special session is inevitable – but the Legislature will be able to address the problem without focusing harm on college students who already pay 60% of the costs of their education.
- Failing to release the funds disrupts the K-20 continuum. The cuts will fall only on Oregon's public universities. A high school diploma shouldn't be the end of the road for Oregon students.

## **EOU TALKING POINTS**

- EOU has been working hard to reverse downward enrollment trends and increase retention. The actions of the last legislative session (the Student Responsibility Model and overall funding of higher education) are very helpful in this institution's turnaround. To pull back on the salary funding package reverses that trend.
- EOU would have to absorb approximately \$1.2M in salary package increases negotiated in good faith that funds would be made available. EOU is just now moving its fund balance to within Board-established guidelines of between 5-15%. Expending these funds places EOU in a dangerous position.
- Increasing tuition costs upwards of 10% (3.4% cap and an estimated 6% average increase) disenfranchises all OUS students, and in particular students at EOU, where we serve more low-income students. Anticipated effects are more students not choosing to attend college, current students opting to stop-out, and more pressure placed on students to take on additional debt.