

Meeting of the
OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION
October 19, 2023

AGENDA ITEM #10:

E&G Budget.

SUBJECT: FY2025 Budget Needs Request.

RECOMMENDATION:

It is recommended that the State Regents approve a request for state appropriations for FY2025 in the amount of \$1,126.2 million, representing an increase of \$122.4 million, or 12.2 percent, for support of the Oklahoma State System of Higher Education. The State Regents are also requested to approve an FY25 capital revolving liquidity facility appropriation request of \$200.0 million.

BACKGROUND:

Pursuant to Article 13-A, §2 of the Oklahoma Constitution and state budget law O.S. 62 §34.36, the State Regents are required to determine a budget needs recommendation for presentation annually to the Oklahoma Legislature and the Governor. In 2016, the Legislature adopted a change in the law (S.B. 1030) to extend the submission of budget requests from one fiscal year to three fiscal years; thus, this recommendation covers the period of FY2025 through FY2027, using the FY2024 appropriation as the base year.

It is recommended that the State Regents approve a budget request for approximately \$1,126.2 million in total funding for FY2025 operations. This is an increase of approximately \$122.4 million above the current FY2024 level of \$1.003 million for operations. The estimated incremental increase for FY2026 is \$112.4 million for a total appropriation of \$1,238.6 million. The estimated incremental increase for FY2027 is \$77.7 million for a total appropriation of \$1,316.3 million.

ANALYSIS:

FY25 BUDGET NEEDS REQUEST:

\$122.4 MILLION

The State Regents have a constitutional duty under Article 13-A, §2 of the Oklahoma Constitution and state budget law O.S. 62 §34.36 to determine and recommend to the Oklahoma Legislature and the Governor each year a budget that states the needs of Oklahoma State System of Higher Education. Each year, the state system colleges and universities complete and submit to the State Regents a Budget Needs Survey that outlines each institution's budget needs for the upcoming fiscal year. According to the aggregated Budget Needs Surveys for FY25, state system colleges and universities have requested an additional \$630 million above the FY24 state appropriation. In prioritizing the needs of the State System as submitted by our colleges and universities, the State Regents have developed an FY25 Budget Need Proposal of \$122.4 million (12.2%) above the current FY24 state appropriation of \$1.003 million.

The FY25 Budget Need Proposal is outlined in separate sections.

This funding request will support the critical workforce demands facing our state, student success and college degree completion initiatives while also addressing current operating budget obligations that support Oklahoma’s colleges and universities in their efforts to ensure students have access to quality higher education opportunities. The following initiatives support the strategic objectives of excellence, efficiency and effective delivery of higher education programs and services.

LEGISLATIVE INITIATIVES AND PROGRAMMING:

\$9.5 MILLION

Annualized funding is requested for two continuing scholarship programs that were developed through legislative action and include the following:

- A. **Oklahoma Future Teacher Scholarship and Employment Incentive Program: \$8,500,000**
The “Inspired to Teach” program offers qualified Oklahoma students an opportunity to earn scholarships as they complete education degrees and employment benefits as they complete years of service within Oklahoma’s PK-12 schools. This funding will ensure the ability to meet demand of the benefits provided through the program for teacher candidates and those employed after graduation and licensure. Funding is intended to reach the targets for full funding.

- B. **Concurrent Enrollment Tuition Waiver Program: \$975,818**
The concurrent enrollment tuition waiver program continues to have an increase in participation. In FY22 the program saw 14,636 students enrolled and generated over 141,300 credit-hours. This funding request will provide reimbursement for waivers provided to all qualified high school senior and junior students and provide resources for any program adjustments resulting from the review by the working group.

CRITICAL WORKFORCE DEVELOPMENT INITIATIVES:

\$41.5 MILLION

In its most recent strategic plan for 2019-2022, the Governor’s Council on Workforce and Economic Development (GCWED) concluded that Oklahoma is facing sizable skill gaps in critical demand occupations in Oklahoma’s key industry sectors and that Oklahoma’s current educational attainment levels do not meet the state’s current and future workforce demands ([Governor’s Council for Workforce and Economic Development Strategic Plan](#)). Oklahoma’s public colleges and universities are uniquely positioned to assist in the state’s efforts to align Oklahoma’s educational attainment levels with workforce needs, as urgently called for by the GCWED, the Oklahoma Department of Commerce and Oklahoma employers. Targeted increases in state fiscal support for higher education are needed to produce the graduates needed to meet these workforce demands.

The State Regents’ FY25 system-wide budget request includes investments in strategic initiatives that align with Oklahoma’s projected workforce needs in Healthcare, Science, Technology, Engineering, and Math (STEM) fields, and adult degree completion.

A. **STEM-Related Degree Fields: \$11,500,000**

Investment in Science, Technology, Engineering and Mathematics (STEM) disciplines is a critical component in the production of graduates needed to align with the projected occupational demands for our state. Robust STEM disciplines are focused on providing critical-thinking skills, research and investigative skills, problem-solving, communications, teambuilding and collaboration leading to thriving innovation. This funding request will be targeted to maximize access and tools required

for increased participation in high-quality STEM education. Strategies employed by our institutions will include efforts to attract students to STEM disciplines, providing flexibility and resources necessary for innovation in the classroom and student support systems to be successful in the STEM disciplines.

B. Healthcare Workforce Development

i. Nursing Workforce Needs: \$10 million

Oklahoma's state system institutions produced approximately 2,357 degrees at all levels in nursing during the 2021-22 academic year. Oklahoma Works notes that current pre-licensure nursing education capacity is not meeting demand in Oklahoma. Issues identified by Oklahoma Works in meeting Oklahoma's nursing workforce needs include: the inability of nursing education programs to meet increased demands due to lack of nursing faculty in Oklahoma; the relatively low percentage of RNs prepared at the Bachelor of Science in Nursing (BSN) degree level; and the limited capacity of Oklahoma's graduate nursing education programs for the preparation of Advanced Practice Registered Nurses [Certified Nurse Practitioners (CNP), Clinical Nurse Specialists (CNS), Certified Nurse Midwives (CNM), and Certified Registered Nurse Anesthetists (CRNA)].

An additional \$10 million in new funding is requested for FY24 to solidify the foundation needed for increasing state system capacity to deliver nursing education programs that will help meet the critical shortage of RNs in Oklahoma. This funding request will provide flexibility to colleges and universities to address their respective institutional needs with regard to nursing programs, such as support for qualified faculty recruitment and retention to expand the number of nursing students served.

ii. Physician Residency Capacity Expansion: \$10 million

Oklahoma currently ranks 48th in the nation in the number of active physicians per capita (209.6/100,000), according to the latest report from the Association of American Medical Colleges (AAMC, [Oklahoma Physician Workforce Profile](#), 2021). The Oklahoma State Department of Health's 2022 map of Primary Health Care Professional Shortage Areas in Oklahoma shows that 73 of Oklahoma's 77 counties are currently experiencing a health professional shortage of some type.

Strategies to improve Oklahoma's physician supply through strengthening graduate medical education (GME) is critical to improving health outcomes for our citizens. Investments in funding for physician faculty teaching time, the cost of resident labor, as well as program administration costs such as recruitment, accreditation, and malpractice insurance, are needed to increase the capacity of the University of Oklahoma Health Sciences Center (OUHSC) and the Oklahoma State University Center for Health Sciences (OSUCHS) to produce additional qualified physicians in Oklahoma.

This funding request will help fund the expansion of GME capacity at OUHSC and OSUCHS, providing support for the vital infrastructure needed for medical preparation programs across the state. The goals of this initiative are to provide additional physician residency slots in Oklahoma, to help incentivize physicians to continue their post-residency practice within the state, and to strengthen the foundation of these programs to meet the growing demand for healthcare professionals.

C. Adult Degree Completion (Reach Higher) Student Initiatives: \$10,000,000

Reaching the goal of increasing the number of degree-holders in our state to fill the critical skills gap demands of employers is becoming increasingly important in a state with a shortage of skilled labor. To encourage Oklahoma's "some college, no degree" adults to return to higher education to complete their degree, the State Regents launched the Reach Higher adult degree completion program in 2007. Reach Higher is designed to help adults who have earned some college credit complete a degree, and directs students to degree programs aligned with Oklahoma's critical occupations.

With an increase in funding, this program will increase outreach and recruitment of these targeted students and equip our colleges and universities in supporting the unique needs of adult students returning to college after pauses in their enrollment. Additionally, adult students face unique challenges in attending college, whether it is initial enrollment or returning to college to finish a degree. Common barriers to adult degree attainment include lack of disposable income to cover the costs of tuition, fees, and books, which often increases the need to obtain student loans, child care and family obligations, and part-time or full-time employment obligations. As Oklahoma's adult students contend with these barriers, prioritizing educational expenses is difficult. Past research on financial needs for Oklahoma students found that scholarships of up to \$1,000 per semester were significantly related to motivating students to finish their college degree.

In FY-23, the State Regents began a scholarship program designed for adult-learners. We are requesting additional funding of \$10,000,000 for FY-25 to expend efforts to address the needs of this specific learning population. The funding will provide scholarship funds to state system colleges and universities to target additional adult students near degree completion or needing industry-recognized micro-credentials or certificates to increase employment opportunities. Resources for program development and implementation are also included in the request.

INSTITUTIONAL EXCELLENCE and STUDENT SUCCESS

\$71.4 MILLION

A. Performance-Based Allocations: \$40.7 million

This request includes discretionary funding for our college and universities to address operating obligations that include faculty salaries, health insurance, utilities, risk management costs, library acquisitions, equipment and supplies. Investment in instruction will help maintain quality educational opportunities required for our students to succeed in an ever-changing global environment. Funds are intended to be budgeted according to the needs of each institution in areas consistent with strategic goals of the system and each institution.

B. Risk Management Cost Increases: \$12.5 million

In recent years, premium costs for the system, particularly in property and casualty coverage have experienced increases much higher than earlier trends. While not unique to higher education, it is vital that such costs are identified and addressed to minimize the need to maintain adequate coverage at the expense of other critical programming. The request is made in anticipation of continued increases and will be carefully monitored, including tracking any legislative efforts to reform the current structure.

C. Student Success and Support Services: \$12.5 million

The primary focus in supporting student success is to achieve more college graduates. This funding will support our institutions in their abilities to ensure student access and success. Student support services are used to provide students with programs to develop the academic skills needed to succeed. Strategies employed by our institutions include promoting college readiness, transforming remediation through corequisite instruction, strengthening pathways for degree completion, development and expansion of career navigator services and breaking down barriers for low-income, first generation and other diverse student populations.

D. State System Collaboration and Consolidation Assistance Fund: \$5.0 million

Innovation and collaboration are important components to the viability of our system. As our institutions continue to promote projects that include collaboration among strategic partners, this funding will be used to provide incentives and start-up funding that in time will lead to long-term efficiencies within our state system. Examples include the use of shared faculty, purchasing consortiums, and system consolidations. The fund would be available for use in a similar fashion as the School Consolidation Assistance Fund within the State Department of Education.

E. State System Shared Services, Innovations and Educational Resources: \$750,000

The use of shared services including people, processes, and technologies to achieve efficiencies will be a priority in the coming fiscal year. This funding will be used to incentivize and encourage shared services centers when determined to be beneficial and cost-effective for the state system.

CAPITAL AND SPECIAL FUNDING:

\$200 MILLION

Deferred maintenance and capital needs are present at every system institution. The funding request contemplates one-time capitalization of a revolving liquidity facility structure which will provide resources for institutions to access through application. Funds are to be allocated for deferred maintenance and other capital projects based on a priority structure. Allocation arrangements will include payback schedules to ensure funds will be available over time. Anticipated uses of allocated funds include deferred maintenance, Americans with Disabilities Act (ADA) compliance requirements, campus security, cyber security and other special circumstances. A summary of the budget need request is provided in the following chart.

OSRHE 2024 Legislative Session Funding Request Summary

	FY-24 <u>Base</u>	Request	FY-25 <u>Appropriation</u>
FY-24 HB 1004X Appropriation			\$1,003,794,375

Legislative Initiative and Programming				
1B	Inspired to Teach Program Full Funding	34,778,500	8,500,000	43,278,500
9C	Concurrent Enrollment Participation Expansion	19,516,350	975,817	20,492,167
			Total	\$9,475,817

Strategic Funding				
			Subtotal	41,500,000
Critical Workforce Needs				
1B	STEM and Other Critical Workforce Degrees and Credentials	11,500,000	11,500,000	23,000,000
1F	Nursing Direct Instruction and Workforce Needs Response	33,262,483	10,000,000	43,262,483
1B	Medical Residents and Related Healthcare Degrees	0	10,000,000	10,000,000
10A	Adult Degree Completion Outreach and Financial Aid	1,150,000	10,000,000	11,150,000
			Subtotal	71,422,054
Institutional Excellence and Student Success				
	Performance-Based Allocations (5.0% Increase in Total Allocations)	813,441,079	40,672,054	854,113,133
	Risk Management Cost Increase Funds (Preliminary)	0	12,500,000	12,500,000
8B	Student Success through Student Support/Career Navigators	0	12,500,000	12,500,000
13A	Institution Collaboration and Consolidation Assistance Fund	0	5,000,000	5,000,000
13B	OSRHE Institutional Shared Services Initiatives	0	750,000	750,000
Total Operations			Total	\$122,397,871

FY-25 Appropriation Request	\$1,126,192,246
Operations - Change from FY-24 Appropriation	122,397,871
Percent Change from FY-24 Appropriation	12.2

Capital and Special	
One-Time Capitalization Funding for a Revolving Liquidity Facility:	\$200,000,000
Deferred Maintenance	
ADA Compliance	
Campus Security	
Cyber Security	
Other Special Requirements	