

Meeting of the
OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION
October 27, 2022

AGENDA ITEM #14:

E&G Budget.

SUBJECT: FY2024 Budget Needs Request.

RECOMMENDATION:

It is recommended that the State Regents approve a request for state appropriations for FY2024 in the amount of \$986.0 million, representing an increase of \$105.1 million, or 11.9 percent, for support of the Oklahoma State System of Higher Education. The State Regents are also requested to approve an FY23 supplemental appropriation request of \$9.0 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 FY2024 through FY2026, using the FY2023 appropriation as the base year.

It is recommended that the State Regents approve a budget request for approximately \$986.0 million in total funding for FY2024 operations. This is an increase of approximately \$105.1 million above the current FY2023 level of \$880.9 million for operations as adjusted for a supplemental budget request and base adjustment. The estimated incremental increase for FY2025 is \$79.9 million for a total appropriation of \$1,065.9 million. The estimated incremental increase for FY2026 is \$70.3 million for a total appropriation of \$1,136.2 million.

ANALYSIS:

I. FY23 Supplemental Request: \$9.0 million – Oklahoma National Guard Educational Assistance Program

During the 2022 Legislative Session, Senate Bill 1418 was passed and codified into statutes with an effective date of July 1, 2022. The bill established the Oklahoma National Guard Educational Assistance Program to provide full waiver of resident tuition, mandatory and academic fees for eligible members of the National Guard enrolled in Oklahoma public colleges and universities for up to 18 credit hours each semester. The National Guard will use this program as a recruitment incentive to expand their command and be competitive with surrounding states who offer similar educational assistance programs.

Although the bill created the program, no funding was provided for FY2023. This request for a supplemental appropriation for the current fiscal year will provide the funds sufficient to reimburse our institutions for the costs incurred during the 2022-2023 academic year while the annualized cost has been included in the FY24 Budget Need Request. The Oklahoma National Guard will work with the State Regents for the administration of the program and advocating for fully funding the program.

II. FY24 Budget Need Request: \$105.1 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 FY24, state system colleges and universities have requested an additional \$413.3 million above the FY23 state appropriation. In prioritizing the needs of the State System as submitted by our colleges and universities, the State Regents have developed an FY24 Budget Need Proposal of \$105.1 million (11.9%) above the current FY23 state appropriation of \$873.4 million, as adjusted.

The FY24 Budget Need Proposal is outlined in separate sections: (1) Annualized funding for legislative initiatives for student scholarships (2) Critical-Demand Workforce Development Initiatives, (3) Institutional Excellence and Student Success, and (4) Special Capital Initiative funding.

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:

\$23.0 MILLION

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

A. Oklahoma National Guard Education Assistance Program: \$3,500,000

The Oklahoma National Guard Educational Assistance Program, which was created in 2022 with the passage of SB 1418 which authorized educational benefits for eligible members of the Oklahoma National Guard equivalent to resident tuition, mandatory fees, and academic service fees, not to exceed 18 credit hours per semester at institutions in the Oklahoma State System of Higher Education. In addition to a maximum of 120 credit hours of undergraduate coursework, the bill authorizes benefits for eligible guard members for up to 40 credit hours of graduate coursework toward a master's degree. This funding will be used to provide payment to our colleges and universities for of the benefits awarded to guard members enrolled through this program.

B. Oklahoma Future Teacher Scholarship and Employment Incentive Program: \$17,378,500

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.

C. Concurrent Enrollment Tuition Waiver Program: \$2,081,974

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.

CRITICAL WORKFORCE DEVELOPMENT INITIATIVES:

\$26.3 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’ FY24 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. 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.

B. STEM-Related Degree Fields: \$5,750,000

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.

C. Adult Degree Completion (Reach Higher) Student Initiatives: \$575,000

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 FY23, the State Regents began a scholarship program designed for adult-learners. We are requesting additional funding of \$575,000 for FY24 to continue 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.

INSTITUTIONAL EXCELLENCE and STUDENT SUCCESS

\$49.3 MILLION

A. Performance-Based Allocations: \$36.7 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.

B. Student Success and Support Services: \$5.0 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, use of mentoring and coaching initiatives and breaking down barriers for low-income, first generation and other diverse student populations.

C. 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.

D. State System Shared Services, Innovations and Educational Resources: \$600,000

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 for the state system.

E. Data Analytics and Digital Transformation: \$2.0 million

One of the priorities for the state system is the implementation of an analytics platform to provide data-driven metrics for informed decision-making and predictive models for student outcomes. The intent of the data platform is to promote retention and student success and ultimately affect an efficient use of resources. Continued investment in this area will broaden the data elements collected by our systems and make more effective data available to decision-makers.

CAPITAL FUNDING:

\$6.5 MILLION

As the campus security landscape continues to change, funding is requested to help our colleges and institutions to upgrade systems and structures for prevention and protection against acts of terrorism and other hazards. Funding to ensure safety and security measures are vital in the campus environment. Further, funding in this request will provide assistance with demolition costs of razing buildings deemed no longer viable or safe for public use.

A summary of the budget need request is provided in the following chart.

OSRHE 2023 Legislative Session Funding Request Summary

	<u>FY-23 Base</u>	<u>FY-24 Base</u>	<u>Request</u>
FY-23 SB 1040 Appropriation			873,405,911
<u>FY-23 Supplemental Appropriation and Base Adjustments</u>			7,500,000
1. SB 1418 National Guard Scholarship Program			9,000,000
2. Base Adjustment - One-Time Scholarship Endowment			(1,500,000)
Revised FY-23 Appropriation/FY-24 Appropriations Base			880,905,911
Legislative Initiative and Programming			
3. SB 1418 National Guard Scholarship Program	9,000,000	12,500,000	3,500,000
4. HB 3564 Oklahoma Future Teacher Scholarship and Employment	17,378,500	34,757,000	17,378,500
5. Concurrent Enrollment For All Seniors and Juniors	15,764,823	17,846,797	2,081,974
		Total	22,960,474
		Percent of Request	21.8
Strategic Funding and Capital			
Critical Workforce Needs		Subtotal	26,325,000
6. Healthcare Critical Workforce Needs			
a. Nursing Direct Instruction and Workforce Needs Response	33,262,483	43,262,483	10,000,000
b. Medical Residents and Other Professional Degrees	0	10,000,000	10,000,000
7. STEM Related Fields (50.0% increase)	11,500,000	17,250,000	5,750,000
8. Adult Degree Completion Student Aid Initiatives (50.0% increase)	1,150,000	1,725,000	575,000
Institutional Excellence and Student Success		Subtotal	49,306,497
9. Performance-Based Allocations (5.0% Increase in Total Allocations)	734,129,930	770,836,427	36,706,497
10. Student Success through Student Support/Career Services Re-Investment	0	5,000,000	5,000,000
11. Institution Collaboration and Consolidation Assistance Fund	0	5,000,000	5,000,000
12. OSRHE Institutional Shared Services Initiatives	0	600,000	600,000
13. OSRHE Data Analytics/Cybersecurity/Digital Transformation	0	2,000,000	2,000,000
Capital Funding: Campus Security Systems/Obsolete Structure		Subtotal	6,500,000
14. Campus Security Systems Improvements/Obsolete Structure Demolition	0	6,500,000	6,500,000
		Total	82,131,497
		Percent of Request	78.2
<u>FY-24 Appropriation</u>			985,997,882
Change from Revised FY-23 Appropriation			105,091,971
Percent Change from Revised FY-23			11.9