

HB 5033

Higher Education Coordinating Commission

HB 5033 is the budget bill for the Higher Education Coordinating Commission or HECC.

The Commission was created in 2011 by the Legislature and has 15 members. Its primary focus is to be responsible for strategic planning for post-secondary education in the state. Its responsibilities include developing goals and accountability measures, preparing a strategic plan to meet the 40-40-20 goal, developing a finance model for higher education, and authorize degrees for the Oregon University System. The budget is based on the responsibilities in current law and may have to be revisited if SB 270 and HB 3120 pass. This budget also reflects the transfers of the Office of Degree Authorization and the Private Degree School program into HECC.

The Education Subcommittee recommends a budget of \$4,577,342 total funds, \$2,297,824 General Fund, and 15 positions. Nine of the positions are for the general policy and coordination of post-secondary education in the state. Funding of \$2.2 million is for these positions, the costs of the Commission itself, agency administration, and \$250,000 for contracting with subject matter experts.

The remaining 10 positions are for the Office of Degree Authorization and Private Career School programs. These represent the positions transferred into this agency from the Oregon Student Assistance Commission and the Department of Education as well as for positions added to keep pace with a growing workload and backlogs. For example, the number of on-line degree programs has grown significantly over the past three years.

The Education Subcommittee recommends HB 5033 be amended, and be reported out do pass, as amended.

**77th OREGON LEGISLATIVE ASSEMBLY – 2013 Session
BUDGET REPORT AND MEASURE SUMMARY**

JOINT COMMITTEE ON WAYS AND MEANS

MEASURE: HB 5033-A

Carrier – House: Rep. Frederick

Carrier – Senate: Sen. Edwards

Action: Do Pass as Amended and be Printed A-Engrossed

Vote:

House

Yeas:

Nays:

Exc:

Senate

Yeas:

Nays:

Exc:

Prepared By: Bill McGee, Department of Administrative Services

Reviewed By: Doug Wilson, Legislative Fiscal Office

Meeting Date: June 19, 2013

Agency

Higher Education Coordinating Commission

Biennium

2013-15

Budget Summary*

	2011-13 Legislatively Approved Budget ⁽¹⁾	2013-15 Current Service Level	2013-15 Committee Recommendation	Committee Change from 2011-13 Leg. Approved	
				\$ Change	% Change
General Fund	\$ 0	\$ 0	\$ 2,297,824	\$ 2,297,824	100.0%
Other Funds	\$ 0	\$ 0	\$ 1,736,759	\$ 1,736,759	100.0%
Other Funds Nonlimited	\$ 0	\$ 0	\$ 200,000	\$ 200,000	100.0%
Federal Funds	\$ 0	\$ 0	\$ 342,759	\$ 342,759	100.0%
Total	\$ 0	\$ 0	\$ 4,577,342	\$ 4,577,342	100.0%

Position Summary

Authorized Positions	0	0	21	21
Full-time Equivalent (FTE) positions	0.00	0.00	16.96	16.96

⁽¹⁾ Includes adjustments through December 2012

* Excludes Capital Construction expenditures

Summary of Revenue Changes

A General Fund appropriation funds commission and operations staff of the Higher Education Coordinating Commission (HECC). In the 2013-15 biennium, HECC also receives a one-time General Fund appropriation to assist with the transition of the Private Career School program from the Department of Education.

The Private Career Schools program is intended to be completely self-funded with Other Funds licensing fees paid by for-profit institutions offering career training and issuing post-secondary certificates. In recent biennia, however, the Department of Education has subsidized the program with General Fund to help address workload backlogs. Increased revenues resulting from the anticipated passage of fee increases in House Bill 2185 and House Bill 2188 is expected to place the program on a more secure financial footing and replace the one-time General Fund appropriation.

The Tuition Protection Fund reimburses students attending private careers schools for part of their tuition payments when a school closes unexpectedly or ceases to offer an instructional program and is not able to make tuition refunds or arrange alternative instructional placements. The fund, managed by the Private Career Schools program, can also be expended for administrative costs. Licensed schools make payments into the fund based on the gross tuition amount reported for the school. Distributions to students from the fund are budgeted as Other Funds Nonlimited.

Also included in the transfer from the Department of Education is a federally funded program responsible for approving programs offered at public and private educational institutions in Oregon for veterans eligible for GI Bill education benefits. Funding to support the program is received under a contract with the U.S. Department of Veterans Affairs and is expended as Federal Funds.

The Degree Authorization program is funded through fees paid by colleges, universities or individuals for academic program evaluation and approval, degree authorization, and degree validation. The approved budget anticipates the adoption of Senate Bill 102 that modifies fees charged to institutions for institutional and academic program reviews. The additional revenue generated by the new fee structure will allow the program to better manage a workload that has grown as on-line and for-profit degree programs offered in Oregon has increased significantly.

Summary of Education Subcommittee Action

The Higher Education Coordinating Commission (HECC) was created in 2011 by Senate Bill 242 and further refined in 2012 by Senate Bill 1538. The Commission has 15 members appointed by the Governor and confirmed by the Senate. Its primary focus is strategic planning for post-secondary education in the state. HECC is also charged with advising the Oregon Education Investment Board on state investments for post-secondary education.

Other responsibilities of HECC include:

- Developing goals and accountability measures for the post-secondary system.
- Developing a strategic plan for achieving the state's higher education goals (e.g. 40-40-20).
- Developing a finance model for higher education aligned with the goals in the strategic plan.
- Recommending to the Governor and the Legislature a consolidated higher education budget consistent with the finance model.
- Coordinating with the Oregon Student Access Commission to maximize the effectiveness of student financial assistance programs.
- Approving and authorizing degrees for the Oregon University System.
- Administering and operating the Office of Degree Authorization (ODA) and the Private Career Schools program.

The Legislature has also assigned specific activities or studies to HECC including the Credit for Prior Learning workgroup and the Textbook Affordability study. Although HECC was established for the 2011-13 biennium, no funds were allocated for its general operation and no employees were hired.

The Office of Degree Authorization was transferred to HECC in 2011 but its budget remained with the Oregon Student Access Commission (OSAC). The Private Career Schools program is scheduled under current law to be transferred from the Oregon Department of Education at the beginning of the 2013-15 biennium. The budgets for both programs are included in the overall HECC budget for 2013-15.

The Subcommittee approved a budget of \$4,577,342 total funds, including \$2,297,824 General Fund and 21 positions (16.96 full-time equivalent.) The approved budget appropriates General Fund and establishes positions to implement the educational mission of the commission.

It transfers funds and positions from the Oregon Student Access Commission (OSAC) for the Degree Authorization program and from the Department of Education for the Private Career Schools program. It adds resources and positions for both the Degree Authorization program based on fee increases in Senate Bill 102 and for the Private Career Schools program based on fee and penalty increases included in House Bill 2185 and House Bill 2188.

The Subcommittee recommended that the Executive Branch consider whether sharing administrative resources between HECC and the newly created Oregon Education Investment Board would be more efficient. Both are small agencies with limited financial resources.

Operations

The Operations unit includes funding for the commission and staff to implement its educational responsibilities. The Subcommittee approved a budget of \$2,135,330 General Fund and 9 positions (6.96 FTE). The Subcommittee took the following actions:

- Approved Package 811 that establishes the core staff for the commission. The package includes nine positions: an executive director, three fiscal analysts, an education specialist, an accountant, an Information Systems Specialist, and two support staff. The positions are phased-in over 12 months with the executive director and three other positions scheduled to start in August. The other positions are funded for 13 to 18 months of the biennium. Also included in the package are the costs of commission meetings, \$250,000 for outside studies and other contracts, general Services and Supplies resources for the operation of the agency, and funding to purchase financial and human resource services from the Department of Administrative Services. The package includes \$2,167,699 General Fund and nine positions (6.96 FTE).
- Approved Package 813 that makes adjustments to the PERS rate resulting from the passage of Senate Bill 822 for the positions established in Package 811. The package reduces General Fund by \$32,369.

Degree Authorization/Private Career Schools

This unit includes funding and positions transferred from the Oregon Student Access Commission (OSAC) for the Degree Authorization program and from the Department of Education for the Private Career Schools program.

The Subcommittee approved a budget of \$2,442,012 total funds, including \$162,494 General Fund and 12 positions (10.00 FTE). The Subcommittee took the following actions:

- Approved Package 810 that carries forward \$150,000 of Other Funds expenditure limitation authorized for the Degree Authorization program by the Emergency Board at its September 2012 meeting. The funds were approved to begin work on developing a new information system independent from OSAC with improved functionality and performance. The Subcommittee approved the package with the direction that HECC work with the Department of Administrative Services in identifying options for the replacement project that considers coordination with the Private Career Schools program. Work on the project should follow standard industry project management practices, including completion of a business case and exploration of alternatives for the project.

- Approved Package 813 that makes adjustments to the PERS rate resulting from the passage of Senate Bill 822 for positions established for the Degree Authorization and Private Careers Schools programs. The budget reduces Other Funds by \$19,464 and Federal Funds by \$6,600.
- Approved Package 814 that transfers existing staff for the Private Career School program from the Department of Education. Transferred staff include two Education Specialist 1 positions, an Administrative Specialist 2, and two Office Specialist 2 positions. Other Funds revenues in the package reflect the current fee structure while the Federal Funds are related to the state contract for veterans related services. Expenditure authority from the Tuition Protection Fund is budgeted as Other Funds Nonlimited. The package includes \$452,228 Other Funds, \$344,364 Federal Funds, and \$200,000 Other Funds Nonlimited and establishes 5 positions (4.00 FTE).
- Approved Package 815 that completes the transfer of the Degree Authorization program from the Oregon Student Access Commission (OSAC). Authority for the program was transferred to HECC in the 2011-13 biennium but the budget remained with OSAC. Positions transferred include a Principal Executive/Manager D and a Program Analyst 2. The package includes \$117,060 General Fund, \$415,106 Other Funds, and 2 positions (2.00 FTE).
- Approved Package 816 that provides additional resources for the Private Career Schools program through additional fee revenue, increased use of ending balance resources, and a one-time General Fund appropriation to stabilize the program given a growing workload. The package is partly dependent on passage of House Bill 2185 and House Bill 2188 which are expected to generate an additional \$180,000 in revenue. Even though the program was designed to be self-supporting, the Department of Education had to use its General Fund resources in the past to sustain the program. The additional fee revenues and limited duration staff are expected to assist in reducing program backlogs. The package includes \$162,494 General Fund, \$296,908 Other Funds and three positions (2.50 FTE). Both the Compliance Specialist 2, which is funded with General Fund, and the Education Specialist 1 are approved as limited duration. The Program Analyst 2 is established as a permanent position.
- Approved Package 817 that shifts all General Fund support for the Degree Authorization program to increased fee revenues that are dependent on the passage of Senate Bill 102. The package also adds permanent positions; a full-time Program Analyst and a half-time Office Specialist. Funding is also provided to pay for Department of Administrative Services support for accounting, human resources, and other business services. The additional resources are provided to address a growing workload and backlog due largely to increasing numbers on on-line degree programs being offered in the state. The package reduces General Fund by \$117,060, increases Other Funds by \$441,981, increases Federal Funds by \$4,995, and establishes two positions (1.50 FTE); a permanent full-time Program Analyst 1 and a permanent part-time Office Specialist 1.

Summary of Performance Measure Action

Since HECC is new for budgetary purposes in the 2013-15 biennium, it does not have any Key Performance Measures (KPMs) at this time. As part of the development of the 2015-17 budget, the agency should propose KPMs. There are existing KPMs for the Office of Degree Authorization and the Private Career Schools program which should be reviewed and included in the KPMs proposed for HECC.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

HB 5033-A

**Higher Education Coordinating Commission
Bill McGee 503-378-2078**

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2011-13 Legislatively Approved Budget at Dec 2012 *	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0	0.00
2013-15 ORBITS printed Current Service Level (CSL)*	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0	0.00
<u>SUBCOMMITTEE ADJUSTMENTS (from CSL)</u>									
SCR 001 Operations									
Package 811: Agency Operatons									
Personal Services	\$ 1,680,035	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,680,035	9	6.96
Services and Supplies	\$ 487,664	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 487,664		
Package 813: PERS Changes									
Personal Services	\$ (32,369)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (32,369)	0	0.00
SCR 002 Degree Authorization/Private Career Schools									
Package 810: LFO Analyst Adjustment									
Services and Supplies	\$ 0	\$ 0	\$ 150,000	\$ 0	\$ 0	\$ 0	\$ 150,000		
Package 813: PERS Changes									
Personal Services	\$ 0	\$ 0	\$ (19,464)	\$ 0	\$ (6,600)	\$ 0	\$ (26,064)	0	0.00
Package 814: Career Schools Transfer									
Personal Services	\$ 0	\$ 0	\$ 396,852	\$ 0	\$ 284,960	\$ 0	\$ 681,812	5	4.00
Services and Supplies	\$ 0	\$ 0	\$ 55,376	\$ 200,000	\$ 59,404	\$ 0	\$ 314,780		
Package 815: Degree Authorization Transfer									
Personal Services	\$ 117,060	\$ 0	\$ 305,830	\$ 0	\$ 0	\$ 0	\$ 422,890	2	2.00
Services and Supplies	\$ 0	\$ 0	\$ 109,276	\$ 0	\$ 0	\$ 0	\$ 109,276		
Package 816: Enhance Career Schools									
Personal Services	\$ 143,022	\$ 0	\$ 261,004	\$ 0	\$ 0	\$ 0	\$ 404,026	3	2.50
Services and Supplies	\$ 19,472	\$ 0	\$ 35,904	\$ 0	\$ 0	\$ 0	\$ 55,376		

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

HB 5033-A

**Higher Education Coordinating Commission
Bill McGee 503-378-2078**

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
Package 817: Enhance Degree Authorization									
Personal Services	\$ (117,060)	\$ 0	\$ 343,101	\$ 0	\$ 4,995	\$ 0	\$ 231,036	2	1.50
Services and Supplies	\$ 0	\$ 0	\$ 98,880	\$ 0	\$ 0	\$ 0	\$ 98,880		
TOTAL ADJUSTMENTS	\$ 2,297,824	\$ 0	\$ 1,736,759	\$ 200,000	\$ 342,759	\$ 0	\$ 4,577,342	21	16.96
SUBCOMMITTEE RECOMMENDATION *	\$ 2,297,824	\$ 0	\$ 1,736,759	\$ 200,000	\$ 342,759	\$ 0	\$ 4,577,342	21	16.96
% Change from 2011-13 Leg Approved Budget	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
% Change from 2013-15 Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		

*Excludes Capital Construction Expenditures

**PROPOSED AMENDMENTS TO
HOUSE BILL 5033**

1 Delete lines 5 through 16 of the printed bill and insert:

2 **SECTION 1. There is appropriated to the Higher Education Coor-**
3 **inating Commission, for the biennium beginning July 1, 2013, out of**
4 **the General Fund, the amount of \$2,297,824.**

5 **SECTION 2. Notwithstanding any other law limiting expenditures,**
6 **the amount of \$1,736,759 is established for the biennium beginning July**
7 **1, 2013, as the maximum limit for payment of expenses from fees,**
8 **moneys or other revenues, including Miscellaneous Receipts, but ex-**
9 **cluding lottery funds and federal funds, collected or received by the**
10 **Higher Education Coordinating Commission.**

11 **SECTION 3. Notwithstanding any other law limiting expenditures,**
12 **the amount of \$342,759 is established for the biennium beginning July**
13 **1, 2013, as the maximum limit for payment of expenses from federal**
14 **funds collected or received by the Higher Education Coordinating**
15 **Commission.**

16 **SECTION 4. For the biennium beginning July 1, 2013, expenditures**
17 **by the Higher Education Coordinating Commission from the Tuition**
18 **Protection Fund established under ORS 345.110 are not limited.**

19 **SECTION 5. This 2013 Act being necessary for the immediate**
20 **preservation of the public peace, health and safety, an emergency is**
21 **declared to exist, and this 2013 Act takes effect July 1, 2013.”.**