

HECC -- State Support for Community Colleges

	2013-15 Actuals	2015-17 Legislatively Approved*	2017-19 Current Service Level	2017-19 Governor's Recommended
General Fund	483,425,453	598,215,647	621,634,342	627,047,739
Lottery Funds	9,521,027	10,462,066	11,733,159	11,733,159
Other Funds	109,013,959	6,588,637	45,810	90,295,807
Federal Funds (NL)	1	1	-	-
Total Funds	\$601,960,440	\$615,266,351	\$633,413,311	\$729,076,705

*Includes Emergency Board and administrative actions through December 2016.

Program Description

This program area represents the funds distributed to the 17 community colleges based on a formula largely driven by student FTE, debt service payments on behalf of state issued bonds for community college facilities, capital construction, and specific payments for programs that are located at or benefit community colleges and their students. Below are the programs included and the General Fund/Lottery Funds budget for each in the 2017-19 CSL.

<i>State Support to Community Colleges 2017-19 Current Service Level</i>		
<i>Millions of Dollars</i>		
	<u>General Fund</u>	<u>Lottery Funds</u>
Community College Support Fund	563.9	
STEM Related & Skills Centers	2.7	
Underserved Students (HB 3063)	3.1	
Oregon Promise	19.8	
Debt Service	32.1	11.7

CSL Summary and Issues

- The 2017-19 CSL for the Community College Support Fund is based on adjustments including for the increases in the PERS rate, health benefits, and pension obligation bonds. It uses the standard inflation rates for the remaining cost components and assumes a proportional increase in the local property tax revenue share for Community Colleges. Overall, there is a net 2.5% increase over the \$550 million 2015-17 budget.
- The Oregon Promise program is limited to \$10 million annually (HECC staffing included) under the language in the bill which established the program. Without that limitation, the CSL could approach \$40 million or more given the higher expected costs for the 2015-17

biennium in its first year of operation. There are a number of factors that influence the ongoing size of the program, but many are unknown at this time since the program has just been implemented. These include how many of the eligible applicants actually participate, and what is the retention rate from one term to another. Tennessee has had a similar program in operation for at least a year but their program has different requirements including; (1) Tennessee requiring students to be full-time compared to Oregon allowing part-time student status, (2) number of terms each school year, and (3) different GPA requirements. The differences make relying on Tennessee's experience to predict the future of Oregon's program difficult. It may take a few years of the program's operation to be able to accurately predict the ongoing costs.

Policy Issues

- The Oregon Promise program is designed to increase the participation in post-secondary education. It also likely to result in more students applying for federal financial assistance through Pell and other grants given the requirement applicants must fill out the FAFSA. Since lower income students will then receive sufficient federal assistance to cover the tuition costs that the Oregon Promise program is design to cover, the students actually benefitting from this program come from those households with greater incomes. There is no income limit for this program.
- The level of overall funding for the Community College Support Fund is not dependent on the number of students attending Community Colleges. The funding in 2011-13 was approximately \$395 million and enrollment was roughly 123,000 in 2011-12. Funding for 2015-17 is significantly higher at \$550 million, but enrollment is less than what it was in 2011-13. In recent years, enrollment is up during harder economic times and as the economy improves enrollment falls off as more jobs are available.

Other Significant Issues and Background

- There have been discussions in the past among members and staff of the Higher Education Coordination Commission (HECC) as well as between representatives of the Community Colleges on options for changing how the Support Fund is distributed to the 17 Community Colleges. Currently the distribution is based on student FTE for eligible programs and also factors in the local revenues (e.g., property tax base) available to each Community College district. One option is to base at least a portion of the distribution on the performance of the individual Community Colleges based on factors such as completion rates, progress on college credits, or number of diplomas or certificates awarded. This concept has been partially adopted for Public Universities, but has not moved forward for Community Colleges where the Presidents have mixed views on the concept.
- There has been greater emphasis on the transition from high school to post-secondary education, specifically Community Colleges. There have been some grant funds available to support these efforts, but many are one-time and are not part of the 2017-19 CSL.
- A request from all of the Community Colleges for security related improvements following the incident at Umpqua was not acted on during the 2016 Session. Facility maintenance is also an area of interest for Community Colleges and there will likely be a request in this area. Since Community Colleges are units of local government, the buildings are owned by the colleges. This limits the choices for financing for security and maintenance to Lottery Bonds, unless they are able to match the assistance with local funds under the "XI-G" bond program.

- The Governor's budget reduces the amount for the Community College Support Fund by \$14.4 million General Fund with most of the reduction coming from the state funding distributed to Community Colleges through the formula. The Oregon Promise program is designated to receive another \$19.8 million General Fund over its CSL amount bringing the total in the Governor's budget to just less than \$40 million. Base on the spending and student participation so far for the first year of implementation, this will not be sufficient resources to operate the program under the current eligibility requirements.
- The amount required for debt service has been adjusted to reflect the most up-to-date information but will likely be adjusted again prior to adoption of the final HECC budget at the end of the 2017 Session.
- The Capital Construction budget for projects financed by the state on behalf of Community Colleges includes \$75.3 million for XI-G bond projects for 11 of the 17 Community Colleges and \$15 million in Lottery bonds to address public safety at both Community Colleges and Public Universities.

HECC -- State Support for Public Universities

	2013-15 Legislatively Approved	2015-17 Legislatively Adopted	2015-17 Legislatively Approved*	2017-19 Current Service Level
General Fund	738,922,158	941,746,515	944,646,515	1,018,012,887
Lottery Funds	33,571,489	40,127,710	40,127,710	44,378,234
Other Funds	-	311,267,945	321,417,945	-
Other Funds (NL)		275,233,857	275,233,857	212,898,797
Federal Funds (NL)	-	1	1	625,977
Total Funds	\$772,493,647	\$1,568,376,028	\$1,581,426,028	\$1,275,915,895

*Includes Emergency Board and administrative actions through May 2016.

Program Description

Public Universities are non-state agencies which include University of Oregon (UO), Oregon State University (OSU), Portland State University (PSU), Eastern Oregon University (EOU), Western Oregon University (WOU), Southern Oregon University (SOU), and the Oregon Institute of Technology (OIT). OSU has also established a branch campus in Bend, OSU-Cascades. Prior 2013, these Public Universities were part of the Oregon University System (OUS).

CSL Summary and Issues

Public University Support Fund (PUSF) – CSL = \$693,320,718 GF

This \$693.3 million CSL is \$26 million or 3.9% greater than the 2015-17 Legislative Approved Budget. The 2017-19 CSL reflects a \$1.9 million General Fund phase-out of the one-time funding for labor costs at the regional universities. Beginning in 2015-17 state support was budgeted as Special Payments because public universities were no longer considered part of a state agency. For current service level calculations on Special Payments, a non-state employee personnel costs (contract providers) inflation factor is used. Starting with the 2015-17 biennium this inflation factor was applied to state educational and program support to determine current service level. For 2015-17 this inflation factor was 3.3%. For the upcoming 2017-19 biennium, the allowed inflation factor was increased to 4.1%.

During the 2016 legislative session, a budget note was adopted directing the Legislative Fiscal Office and the Department of Administrative Services to also estimate what 2017-19 CSL costs would be if the state used the same model that has been used for calculating current service level for the Community College Support Fund (CCSF). This was done to ensure consistency in post-secondary state support current service level calculations. The CCSF model uses more accurate health benefit and retirement costs estimates. For the remainder of the personnel services costs it uses the non-state employee personnel costs (contract providers) inflation factor and uses the standard inflation factor for services and supplies, as well as capital outlay.

Applying the standard non-state employee personnel costs inflation factor of 4.1%, the current service level for the Public University Support Fund totals \$693.3 million General Fund. Using the alternate calculations based on the CCSF model, the current service level for the PUSF would be \$700.8 million, an increase of \$7.4 million General Fund over the existing current service level calculation.

State Programs – CSL = \$39,532,014 GF

Applying the standard non-state employee personnel costs inflation factor of 4.1%, the current service levels for state programs is \$39.5 million General Fund. Using the alternate calculations based on the CCSF model, the current service level would be \$40 million, an increase of \$423,522 over the existing current service level calculation. The CSL includes a Phase-in of \$900,000 to reflect full biennial costs of operating the Wood Products Innovation Center.

Statewide Public Services (SWPS) – CSL = AES - \$65,765,960; ES - \$47,484,263; FRL - \$10,174,088 General Fund.

Applying the standard non-state employee personnel costs inflation factor of 4.1%, the current service levels for Agriculture Experiment Station (AES), Extension Service (ES), and Forest Research Lab (FRL) at Oregon State University totals \$123.5M. Using the alternate calculations based on the CCSF model, the SWPS total current service level would be \$124.7 million, an increase of \$1.3 million over the existing current service level calculation.

Sports Action Lottery – CSL = \$12,312,245 LF

In 2015-17 the CSL for the 1% LF dedication to Sports Action was \$11.4 million. This was reduced to \$8.24 million Lottery Funds total in the 2015-17 LAB, which reduced historical distributions percentages for UO and OSU, while keeping the other five schools shares untouched. The 2017-19 CSL for Sports Action is \$12.3 million, which reflects the 1% of total Lottery Funds as dedicated by law using the December 2016 Lottery Forecast. This is a \$4.1 million Lottery Funds increase over the 2015-17 legislatively approved levels

Debt Service and Bonding – CSL = \$161,731,988 General Fund and \$31,921,630 Lottery Funds

Total state-paid debt service (General and Lottery Funds) increased from \$114.7 million in 2013-15, to \$150.1 million in 2015-17, and is estimated to grow to \$193.7 million for 2017-19. The \$193.7 million represents a \$79 million (or 69%) increase over 2013-15 and a \$43.6 million (or 29%) increase over 2015-17.

Universities submitted 30 bonding projects with a total of \$542.4 million in state-paid borrowing to HECC for consideration in the agency's ARB. The Universities divided their requests into three tiers (plus a fourth for XI-F bonded projects for which the schools would be responsible for paying the debt). Projects were not rank ordering within each tier. The 16 Tier 1 requests total \$351.3 million in state-paid bonds, the 7 Tier 2 requests total \$104.8 million in in state-paid bonds, and the tier 3 requests total \$153.3 million in state-paid debt. All universities agreed that the \$65 million requested for capital improvement and renewal was their number one priority. HECC will rank order

all requested projects in the ARB. The Governor sent a letter to HECC stating she wants these recommendations to prioritize projects that help underrepresented, first generation, low income, and students from rural areas to pursue their degrees.

Policy Issues

- *Universities generated “true current service level”* - Universities have estimated they need an increase of \$100 million General Fund in the PUSF to cover their version of current service level. This estimate includes cost increases based on more than the state share of their budget, not just the percentage currently paid for by the General Fund, and is therefore not a justifiable current service level estimate (CSL). When calculating CSL you assume budgeted categories remain constant, including fund splits between General Fund and Other Funds.
- *Tuition Increases* - Prior to the release of the Governor’s budget, Public Universities indicated that if the PUSF is increased by \$100 million General Fund to \$765 million total they plan on increasing tuition up to 4.99% each year of the biennium. Universities have also requested an additional \$178 million on top of the first \$100 million request to bring the PUSF total to \$943.4 million for 2017-19, an increase of 42% over 2015-17.
- *Capital Repair and Renewal* - Each biennium the Legislature approves borrowing to pay for costs associated with maintaining the state-owned buildings used by public universities. During the 2015 session \$65 million in Q bond financing was approved for this work. Historically this funding has been distributed based on total building square footage at each university. This distribution formula does not take into account the relative facility needs of each campus or the average age of the buildings being used in the total square footage distributions. Additionally, this money has historically been earmarked for repairs and deferred maintenance. Universities would like to broaden the uses to include classroom modernization and remodeling. While this has been approved on a limited time in the past, this broadening has the potential to siphon funds away facilities with needed repairs if the classroom refreshing is seen by the university as a better tool to use in student recruitment.

Other Significant Issues and Background

- *Reliance on out-of-state tuition* - A recent study by the NY Times focusing on public universities pursuit of out-of-state students and the higher tuition they pay, found that 3,579 students came to Oregon to attend a public college, while only 1,425 left Oregon to do so. As state funding has failed to keep up with increased costs on college campuses, many schools across the nation have turned to recruitment of out-of-state students. PSU’s President has stated that the school needs to increase enrollment of such students to increase school revenues. UO has actively pursued such student and as of 2015 about 33% of undergraduates were from another state in the U.S. With the addition of international students, 46% of UO undergraduates were not from Oregon. The benefit seen by the schools is demonstrated by the importance that non-resident tuition plays in overall funding. For 2016, UO’s resident tuition contributed \$104 million to the school’s Education and General Fund while non-resident tuition contributed over \$280 million. The policy concern is to

what extent is the increase in out-of-state undergraduate slots taking away from Oregonians ability to attend their own public universities.

- The Governor’s budget for 2017-19 holds the funding for the Public University Support Fund at \$667.3 million, the same amount as for 2015-17. The same holds true for the State Programs, Experiment Station, Extension Service and the Forest Research Lab, their funding is maintained at the 2015-17 levels. The Governor’s budget eliminates funding for the Sports Action Lottery.
- Debt service funding is at the CSL level in the Governor’s budget for 2017-19. Proposed capital construction projects total \$349.8 million - \$149.6 million in XI-Q bonds, \$120.0 million in XI-G bonds which require a match, and \$80.2 million in XI-F which are financed with “campus resources”. \$45.7 million of the XI-Q bonds are capital improvement and renewal across all campuses. The Governor’s budget assumes the XI-Q and XI-G bonds will be sold late in the 2017-19 biennium so no debt service is required for the biennium.

HECC -- State Support for Oregon Health and Science University (OHSU)

	2013-15 Actuals	2015-17 Legislatively Approved*	2017-19 Current Service Level	2017-19 Governor's Recommended
General Fund		85,855,331	102,324,188	103,992,631
Other Funds		238,724,306	38,828,443	38,828,443
Total Funds		\$324,579,637	\$141,152,631	\$142,821,074

*Includes Emergency Board and administrative actions through December 2016.

** Includes agency #590000 expenditures through DAS

Program Description

The Oregon Health Sciences University (OHSU) has been a public corporation since 1995 and is no longer subject to the budgetary and other controls that state agencies generally operate under. OHSU is not a state agency, but receives direct funding for specific purposes including the Schools of Medicine, Nursing and Dentistry. Funding is also provided for the Child Development and Rehabilitation Center, Oregon Poison Center, Area Health Education Centers and the Office of Rural Health. Financial assistance for medical professionals are provided through the Scholars for a Healthy Oregon and the Primary Health Care Loan Forgiveness program. The State also provides approximately \$30.9 million Other Funds (2017-19 CSL) for the debt service payments for bonds sold to enhance OHSU's research programs in genetics and biotechnology. Revenues from the Master Tobacco Settlement Agreement are used to make these payments, with the final payment due in 2024. During the 2014 Session, the Legislature approved approximately \$200 million in state bonds for the construction and equipment for the Knight Cancer Research Center at OHSU which will be paid with General Fund. Direct state appropriations only make up only a small percentage OHSU's total revenues – by far the largest revenue source are patient service revenues which includes indirect state resources through the Oregon Health Plan and state employee health services. Direct State-funded spending by program in the 2017-19 CSL is shown below.

OHSU 2017-19 Current Service Level -- Millions of Dollars		
	General Fund	Other Funds
School of Medicine	25.8	
School of Nursing	22.3	
School of Dentistry	10.4	
Office of Rural Health and AHEC	4.5	
Child Development & Rehab Center	8.3	
Poison Center	2.7	
Financial Assistance for Medical Professionals	1.7	
Debt Service	26.7	38.4

CSL Summary and Issues

- The budget for OHSU is in two agencies -- the funding for the schools and other programs are part of the HECC budget, while the debt service for the Cancer Center and genetics and biotechnology related facilities are part of the DAS budget.
- All program funding is adjusted by the standard inflation rate of 3.7% in calculating CSL. The debt service amounts are the best estimates at the time the CSL was calculated and the amounts may be adjusted by the time the final budget is adopted by the Legislature.
- HB 3396 (2015) assumes the transfer of the Scholars for a Healthy Oregon Initiative and the Loan Forgiveness program from OHSU to the Oregon Health Authority during the 2017-19 biennium. In the calculation of the most recent version of CSL, 75% of the funding for these two programs were removed from the OHSU budget reflecting the transfer of the programs part of the way through the biennium but the corresponding increase in the OHA budget was not included in the CSL. This means that there is a \$4.8 million General Fund shortage in the CSL budget for these programs.

Policy Issues

- It is unclear what the relationship between HECC and OHSU will be beyond the funding relationship. While there was significant discussion of the relationship between the various units of the Public University System, there was less discussion regarding OHSU. HECC is responsible for coordinating post-secondary education in the state, specifically public funded entities. While OHSU is a separate public corporation with a separate board, the various institutions within the Public University system have a similar relationship.

Other Significant Issues and Background

- There is just over \$8.5 million General Fund in the 2015-17 budget for the debt service associated with the bonds sold for the Cancer Center. The current estimate is that the actual 2015-17 need is closer to \$3.5 million, the difference was dis-appropriated from the OHSU budget in the March 2015-17 reconciliation bill (SB 5508). The 2017-19 CSL includes \$26.1 million in debt service for the Cancer Institute which will likely be adjusted during the 2017 Session as final debt service needs are identified.
- The Governor's budget funds the programs that are not debt service at above the CSL levels. It is unclear how these additional funds are distributed between the programs. The Governor's budget also adds the \$4.8 million General Fund required in the OHA budget to fully fund the Scholars for a Healthy Oregon Initiative and the Loan Forgiveness program that are transferred to OHA from OHSU during the 2017-19 biennium.

HECC -- Oregon Opportunity Grant

	2013-15 Actuals	2015-17 Legislatively Approved*	2017-19 Current Service Level	2017-19 Governor's Recommended
General Fund	111,206,740	127,883,621	125,217,521	132,392,730
Lottery Funds	2,546,223	11,816,379	20,746,268	18,571,059
Other Funds	158,459	1,213,213	163,213	163,213
Total Funds	\$113,911,422	\$140,913,213	\$146,127,002	\$151,127,002

*Includes Emergency Board and administrative actions through December 2016.

Program Description

The Oregon Opportunity Grant (OOG) is the state's primary student financial aid program providing eligible Oregon students with grants to assist in financing education at community colleges, public universities, and private or independent institutions. The program had been administered by the former Oregon Student Access Commission (OSAC), which was merged into the Higher Education Coordinating Commission (HECC) beginning in 2013-15. The OOG is now administered by HECC's Office of Student Access and Completion. HECC estimates that it will be able to award approximately 84,000 grants at an average of approximately \$1,681 (between the two years) during 2015-17. The estimated distribution among the types of post-secondary institutions for 2015-17; where just less than 50% of the total OOG recipients were community college students, 43% were public university students (Oregon University System or public universities), and the remaining 7% were students at independent institutions.

CSL Summary and Issues

- The total funds CSL for 2017-19 is based on the standard inflation rate of 3.7%. The Other Funds revenues for this program are JOBs Plus related funds set aside for TANF recipients for education related purposes, but that remain unused. For 2015-17, there was over \$1 million of these funds projected to be available for the OOG. That anticipated amount of these funds for 2017-19 are projected to be much less at \$163,213. The difference is backfilled with General Fund.
- In the past, the OOG program received Lottery Funds based upon one-quarter of the earnings of the Education Stability Fund. The 2015 Legislative Assembly changed this so the OOG receives one-quarter of the earnings plus all of what is not required for debt service on Lottery bonds issued by the state for school districts years ago. These bonds will be paid off in the next few biennia. For 2017-19 just over \$650,000 is estimated is required for the debt service on these education bonds. This leaves almost \$21 million in estimated earnings for the OOG for 2017-19 which offsets the need for General Fund. As a result, the General Fund need for this program to meet the CSL is reduced to just over \$125 million. The split between General Fund and Lottery Funds will be updated at the end of the 2017 Session for 2017-19.

- Based on the assumption of freezing the 2017-18 maximum grant amount at \$2,250 per recipient (average grant at \$1,720) and increasing it to \$2,370 (average \$1,812) for 2018-19, it is estimated that 82,687 recipients would receive grants in 2017-19. That assumes approximately 47% or \$69 million of the total amount would be spent in the first year of the biennium. If tuition increases were greater than expected the amount in the second year of the grant would be increased and fewer grants would be awarded.

Policy Issues

- The OOG is based on a Shared Responsibility Model put in place during 2007-09, and the awards are based on available student and family resources, cost of education, and available federal resources. HB 2407 (2015) made a number of changes to the OOG program in terms of eligibility and timing of awards. This bill maintains the principles of the shared responsibility model; but provides that if there are insufficient funds, the awarding of grants should be prioritized to first serve those applicants with the greatest financial need. Grants are also guaranteed for a second year if the student is meeting academic standards set by the Commission and the student is making progress towards completion of a degree or certificate. The program will also change the timing of the grant application and award deadlines so that grants are awarded in an extended window of time.

Other Significant Issues and Background

- Some states are moving or are examining the option of a model for post-secondary funding where more funding is available to students directly in programs similar to OOG, while reducing the amount being distributed to the institutions directly.
- The Legislature in 2017, as part of the 2015-17 reconciliation bill (SB 5508), provided an additional \$3.125 million General Fund to backfill Lottery Funds (investment earnings from the Education Stability Fund) which have not kept pace with original projects at the end of the 2015 Session. This additional amount is not represented in the table above. The more dependent this program is on the Lottery Funds the more uncertainty of funding levels are. Given that this program must commit its total funding for grants near the beginning of the second year of the biennium, this uncertainty can pose a problem as was demonstrated in the current biennium.
- The Governor's budget adds \$5.0 million to this program over the CSL amount. It is estimated that this will serve a total of 85,450 recipients at an average grant amount of \$1,720 the first year and \$1,812 the second year of the biennium.

HECC -- Operations & Programs

	2013-15 Actuals	2015-17 Legislatively Approved*	2017-19 Current Service Level	2017-19 Governor's Recommended
General Fund	22,246,331	36,407,725	31,389,124	31,651,348
Other Funds	28,971,684	31,615,691	27,530,024	35,784,146
Other Funds (NL)	200,000	206,000	206,000	200,068
Federal Funds	107,788,824	111,932,844	114,694,286	114,509,452
Federal Funds (NL)	18,968,831	18,968,831	18,968,831	18,968,831
Total Funds	\$178,175,670	\$199,131,091	\$192,788,265	201,113,845
Positions	-	143	126	128
FTE	-	124.30	118.52	120.52

*Includes Emergency Board and administrative actions through December 2016.

Program Description

This program unit includes all of the staffing for the Higher Education Coordinating Commission (HECC) and all of the program resources other than the payments to the Public University system (formally the Oregon University System), payments to Community Colleges, payments to the Oregon Health and Science University (OHSU) and the Oregon Opportunity Grant program. Also not included in this program unit are the state paid debt service and capital construction limitation for Public Universities, Community Colleges, and OHSU.

There are four primary areas in this program unit:

- **HECC Operations** (\$21.9 million GF/\$44.8 million TF, and 123 positions in 2017-19 CSL) -- This area includes almost all of the agency staff including (1) agency leadership, general operations (e.g. financial) and research, (2) staff responsible for oversight and coordinating the public university system, (3) staff and operations of the Degree Authorization and Professional Career Schools programs, (4) staff and programs (other than the direct aid payments, debt service and capital financing paid to the 17 Community Colleges) of the former Department of Community Colleges and Workforce Development, (5) workforce related staff currently located at the Oregon Employment Department, and the (6) staff and programs of the Office of State Access and Completion (OSAC) not including the student aid grants through the Oregon Opportunity Grant. Also in this area are a variety of smaller programs including the ASPIRE program.
- **Workforce and Other Special Payments** (\$8.5 million GF, \$128.1 million TF) which are the primary workforce programs administered by the State. The largest program is the federal Workforce Investment Act which is generally distributed to local Workforce Boards for assisting unemployed and underemployed workers with skills assessment, training and other employment programs. Also included in this area is the program funding associated with a \$10 million GF workforce investment a few years ago. Many of the services under this area are provided in coordination with the Oregon Employment Department.

- **Oregon Youth Conservation Corps** (\$0 GF, \$3.8 million TF, 3 positions) provides education, training, and employment opportunities to disadvantaged youth ages 13 through 24. Funding is from the Amusement Device Tax and contracts with state and federal natural resources agencies.
- **Other Student Assistance Programs** (\$1.0 GF, \$19.0 million TF) includes a number of programs providing financial assistance for post-secondary students. Most of the expenditure limitation is related to the private scholarship programs administered by OSAC. The General Fund is for a child care grant program for community college students. The Oregon Promise program is part of the State Support for Community Colleges while the Oregon Opportunity Grant program is its own budget unit.

CSL Summary and Issues

- There was a transfer of \$8.2 million General Fund between the HECC Operations and the Workforce Programs within this budget area. This involves a major workforce investment made in 2013-15.
- There are a number of one-time appropriations made in the 2015-17 budget which are not included in the 2017-19 CSL. These include various task force or committee staffing provided by HECC for special projects established by legislative bills, one-time programming costs, transitional services for students moving from high school to post-secondary institutions allocated during the 2016 legislative session, and funding for the Oregon Promise Student Success program.

Policy Issues

- During the 2013-15 biennium, an effort was made by the Governor's Office to transfer what is now HECC's workforce development/investment staff and programs to the Oregon Employment Department (OED). The Legislature did not approve the transfer during the 2014 Session, but did provide the State Workforce Investment Board with more authority over some of the Employment Department's programs. The Executive Branch did go ahead and establish an interagency agreement to increase coordination as well as to physically co-locate a significant portion of the workforce staff with OED. Further review of where this staff should be located may be in order.
- HECC, through OSAC, administers a number of private scholarship programs for organizations including private foundations. The agency stated that these private scholarship programs had paid more than their share of central OSAC costs in the past. As a result, some of the organizations had raised the possibility of finding an alternative to OSAC's centralized administration of their scholarships. The 2015-17 budget included approximately \$300,000 in one-time General Fund resources to address this issue. The agency is to report back to the 2017 Legislature on the direct and indirect costs of these programs, and whether the program is sustainable with the current fees charged the various organizations. From the information provided in this report, the Legislature will need to determine if the program is paying more than its share and whether the program should continue to get General Fund.

Other Significant Issues and Background

- HECC continues to build its infrastructure including information systems as a new agency as well as to continue efforts of the former component agencies. It is likely that HECC will request funding for its central data collection efforts and those related to providing data to

the Statewide Longitudinal Data System (SLDS) be developed in the Chief Education Office. The other major project is the replacement of the information system for the student aid programs including the Oregon Opportunity Grant. Sensitive and confidential information is accessed and maintained by the current system and data security is an important issue. The initial stages for this program have been under way for a number of years and the actual development has yet to start. Currently, a business case is being prepared for the project. The security related issues have been initially addressed within the current system.

- The management configuration may need to be reviewed. There may have not been the staffing and program integration of post-secondary policy and oversight as anticipated by the Legislature when HECC was authorized.
- The Governor's budget includes \$1.1 million General Fund in yet-to-be determined reductions as well as \$2.5 million General Fund as a placeholder for the information system for student aid programs. An auditor's position is funded, previously the former CCWD agency and the Oregon Department of Education shared an auditor position but HECC is a sufficiently large enough of an agency to have their own internal auditor. The budget also decreases funding for workforce initiatives by over \$1.0 million General Fund.