

**SB 5524 BUDGET REPORT and MEASURE SUMMARY**

**Joint Committee On Ways and Means**

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**Higher Education Coordinating Commission**

**2017-19**

PRELIMINARY

**Budget Summary\***

	2015-17 Legislatively Approved Budget <sup>(1)</sup>	2017-19 Current Service Level	2017-19 Committee Recommendation	Committee Change from 2015-17 Leg. Approved	
				\$ Change	% Change
General Fund	\$ 1,653,861,918	\$ 1,691,705,896	\$ 1,755,839,671	\$ 101,977,753	6.2%
General Fund Debt Service	\$ 130,624,436	\$ 180,806,925	\$ 180,806,925	\$ 50,182,489	38.4%
Lottery Funds	\$ 20,056,379	\$ 33,058,513	\$ 52,986,268	\$ 32,929,889	164.2%
Lottery Funds Debt Service	\$ 42,349,776	\$ 43,654,789	\$ 43,654,789	\$ 1,305,013	3.1%
Other Funds Limited	\$ 32,874,714	\$ 27,739,047	\$ 29,371,373	\$ (3,503,341)	(10.7%)
Other Funds Debt Service	\$ -	\$ -	\$ 1,450,000	\$ 1,450,000	100.0%
Other Funds Nonlimited	\$ 197,441,829	\$ 206,000	\$ 206,000	\$ (197,235,829)	(99.9%)
Other Funds Debt Service Nonlimited	\$ 257,777,897	\$ 208,941,256	\$ 212,840,781	\$ (44,937,116)	(17.4%)
Federal Funds Limited	\$ 111,932,844	\$ 114,694,286	\$ 114,506,077	\$ 2,573,233	2.3%
Federal Funds Nonlimited	\$ 18,968,831	\$ 18,968,831	\$ 18,968,831	\$ -	0.0%
Federal Funds Debt Service Nonlimited	\$ 2	\$ 4,587,374	\$ 4,587,374	\$ 4,587,372	229,368,600.0%
<b>Total</b>	<b>\$ 2,465,888,626</b>	<b>\$ 2,324,362,917</b>	<b>\$ 2,415,218,089</b>	<b>\$ (50,670,537)</b>	<b>(2.1%)</b>

**Position Summary**

Authorized Positions	143	126	122	(21)
Full-time Equivalent (FTE) positions	124.30	118.52	115.24	(9.06)

**Summary of Revenue Changes**

General Fund - Approximately 80.2 percent of the Higher Education Coordinating Commission (HECC)'s budget is funded with General Fund. This includes most of the cost of agency operations, support for community colleges and public universities, the Opportunity Grant program, Oregon Promise, workforce and community initiatives and debt service.

Lottery Funds – Lottery Funds make up about 4.0 percent of HECC's budget and pay for debt service, Opportunity Grants and intercollegiate athletics through the Sports Lottery program. The Subcommittee's recommended budget includes a significant increase in Lottery Funds to implement Measure 99, the Outdoor Schools program.

Other Funds Limited – Limited Other Funds make up just over 1.3 percent of HECC’s budget. The Degree Authorization (DA), Private Careers Schools (PCS), and General Education Development (GED) programs are authorized to charge fees to authorize post-secondary institutions, license private career schools, and administer GED testing. Oregon Student Access and Completion administers nearly 500 different public and private scholarships. Administrative fees are charged to donors and granting agencies to cover the cost of operating the programs. Most of the Other Funds revenues supporting the Oregon Youth Conservation Corps (OYCC) come from the Amusement Device Tax on video lottery terminals. OYCC also receives grants from the Oregon Marine Board and other agencies.

Other Funds Nonlimited - About 8.8 percent of HECC’s budget consists of expenditure authority to allow HECC to receive debt service payments from the public universities on general obligation bonds and Certificates of Participation that are repaid with institutional funds.

Federal Funds – Federal Funds (Limited and Nonlimited) constitute about 5.7 percent of HECC’s budget. HECC receives a variety of federal grant funds under the Workforce Innovation and Opportunity Act. Grants include: Title IB that supports youth, adult and dislocated worker training programs through the state’s One Stop Centers; Title II funds adult basic education programs; and National Emergency Grants offers training and reemployment services to workers in areas facing large layoffs. Other federal grant programs include Carl D. Perkins Vocational and Technical Education Act funds transferred from the Oregon Department of Education, and Bureau of Land Management grants for youth employment opportunities through the Oregon Youth Conservation Corps. The Private Career Schools program operates a Veterans’ Education program under contract with the U.S. Veterans’ Administration.

### **Summary of Education Subcommittee Action**

HECC is responsible for coordinating between the state’s public universities, community colleges and workforce system in order to improve education access and achievement for Oregonians. HECC does this work through planning for the state’s public post-secondary education system, developing goals and accountability measures for the post-secondary system, implementing a finance model for higher education and approving and authorizing degrees for the public universities. The Subcommittee approved a budget of \$1,936,646,596 General Fund, \$96,641,057 Lottery Funds, \$2,415,218,089 total funds and 122 positions (115.24 FTE).

The Education Subcommittee did not address the department’s bond requests. The Joint Committee on Ways and Means Capital Construction Subcommittee is reviewing bond requests and will include any budget adjustments related to bond-supported programs in bond authorization bills and in the end-of-session bill.

## HECC Operations

The HECC Operations program includes the commission, agency management and operations and nearly all staff positions supporting various agency programs. It includes the following offices:

- The Director's Office is responsible for the overall administration of the agency and manages communications, legislative affairs, human resources, policy initiatives and other functions.
- Operations provides accounting, budget, procurement, payroll and information technology support for the agency.
- The Office of Community Colleges and Workforce Development provides coordination and resources for Oregon's 17 community colleges and workforce programs supporting the state's adult basic skills providers and local workforce areas.
- The Office of Research and Data collects, analyzes and reports research and data on postsecondary education to comply with state and federal reporting requirements and inform decisions on the postsecondary education enterprise.
- The Office of Student Access and Completion administers a variety of state, federal and privately funded financial aid programs, including the Oregon Opportunity Grant and the Oregon Promise.
- The Office of Private Post-Secondary Education oversees private postsecondary programs in Oregon and includes the Degree Authorization program, the Private Career Schools program and the Veterans Education program.
- The Office of University Coordination administers HECC's academic and fiscal responsibilities affecting the state's seven public universities.
- The ASPIRE (Access to Student Assistance Programs In Reach of Everyone) program helps middle and high school students access education and training beyond high school.

The Subcommittee recommended a budget of \$21,315,378 General Fund, \$44,197,205 total funds and 119 positions (112.24 FTE).

The Subcommittee approved Package 109, Infrastructure Positions. This package reclassifies three Administrative Specialist 2 positions to Program Analyst 2 positions subject to Article 81 review. Funding for one of the positions is shifted from General Fund to Other Funds. The package reduces General Fund by \$150,010 and increases Other Funds expenditure limitation by \$189,410.

Package 801, LFO Analyst Adjustments, was approved reducing General Fund by \$200,000 to account for higher vacancy savings attributed to the agency. The agency will need to manage their hiring process to meet this reduction and any further reduction in Personal Services costs included in the end-of-session bill.

The Subcommittee recommended approval of Package 802, Program Enhancements. This package increases General Fund by \$500,000 and adds one position (1.05 FTE) to reflect the transfer of the Talent Council into HECC, from the Employment Department. These responsibilities are transferred to the new State Workforce and Talent Development Board, which replaces the former Workforce Development Board in HECC. The position established is a Program Analyst 3. The agency may split some of the responsibilities of the position among existing part-time positions. The increase in General Fund also includes resources for a contract to develop a new strategic talent plan and for paying the closeout costs of the former Talent Council at the Oregon Employment Department.

Package 812, Vacant Position Elimination, eliminates \$746,041 General Fund, \$36,639 Other Funds expenditure limitation, \$188,209 Federal Funds expenditure limitation and five positions (4.33 FTE). These positions have been vacant for an extended period of time or have been identified by the agency as being able to be eliminated. The positions include four positions in the Workforce Programs, including an Office Specialist, Administrative Specialist and two Program Analysts. Also eliminated is an Educational Specialist in the GED Program.

#### Support to Community Colleges

This budget unit contains the Community College Support Fund (CCSF), as well as other state support for community college operations throughout the state. Other Funds and Federal Funds supporting the colleges are included in a separate program unit. The Subcommittee approved a budget of \$573,940,185 General Fund and \$45,810 Other Funds expenditure limitation and represents a 0.8 percent increase over the current service level. No positions or FTE are included in this unit.

Package 801, LFO Analyst Adjustments, was approved reducing General Fund resources by \$2,131,621 through a \$2,068,816 reduction for STEM related start-up funding for programs in high-demand fields added in the 2015 Legislative Session and through a 10.0 percent reduction, or \$62,605 General Fund, for the two Skills Centers. These Skills Centers are the Sabin-Schellenberg Professional Technical Center in Milwaukie and the Margaret Carter Skills Center at Portland Community College.

The Subcommittee approved Package 802, Program Enhancements, increasing General Fund by \$6,387,669 to increase general payments to community colleges through the Community College Support Fund, bringing the total funding for this program to \$570.3 million General Fund. This is the primary source of state General Fund resources for community colleges and should go to offset increases in tuition at the schools for the two school years of the 2017-19 biennium.

#### Public University Operations and Student Support

The Public University Support Fund represents the state's General Fund contribution to operation of Oregon's seven public universities' education, student support, research and public service programs. Combined with student tuition and other revenues not included in the state budget, the funds provide basic support to the educational institutions, their institutional boards, administration functions and student support services.

The Subcommittee approved a budget of \$736,898,583 General Fund, which is 6.3 percent above the 2017-19 Current Service Level. No positions or FTE are included in this unit.

The Subcommittee approved Package 801, LFO Analyst Adjustments, reducing General Fund by \$570,000 by eliminating funding for the Career Advising and Mentorship pilot project established by Senate Bill 860 (2015). This pilot project was limited to Western Oregon University and Oregon State University. The funding was primarily used for a position at each university to work closely with students, alumni and others to set up career mentoring for students using institutional alumni. The program is eliminated due to insufficient General Fund resources and this being a pilot program.

Package 802, Program Enhancements, increases General Fund by \$44,147,865 for general payments to public universities for operations and student support. This represents a 6.4 percent increase over current service level. The additional funds paid to public universities are to offset increases in tuition for the two school years of the 2017-19 biennium.

The \$736.9 million General Fund appropriated in this budget for the public university support fund is 10.4 percent greater than the amount proposed in the Governor's Recommended Budget, which the public universities have based their tuition increases on. Five of the seven public universities proposed increases greater than the five percent permitted, without the approval of the Higher Education Coordinating Commission (HECC). Data was presented to the Commission which demonstrated the reductions in resident undergraduate tuition rates, the five public universities planned to implement if additional resources were provided to the Public University Support Fund. Based on this information, the following budget note is recommended:

**Budget Note**

The following public universities will limit their resident undergraduate tuition increases in each academic year to the following amounts:

- Oregon Institute of Technology, 5.0%
- Portland State University, 5.5%
- Southern Oregon University, 9.0%
- University of Oregon, 6.56%
- Western Oregon University, 6.5%

For the second year of the biennium or the 2018-19 academic year, the expectation is that no public university's resident undergraduate tuition growth shall exceed five percent over the tuition rate for 2017-18 academic year.

### Public University State Programs

This budget unit includes General Fund support for a variety of institutions, centers and programs operated by public universities who address economic development, natural resource and other issues rather than providing general support for instruction and student support services. Many of these programs have an industry-specific focus, matching state support with funds from private sector and other sources.

The Subcommittee approved a budget of \$39,726,110 General Fund, which is 0.5 percent above the 2017-19 Current Service Level. No positions or FTE are included in this unit.

The Subcommittee approved Package 802, Program Enhancements, increasing General Fund resources by \$194,096 to fund 13 different state programs located at various public universities. The final distributions of funds for 2017-19 are as follows:

- Engineering Technology Sustaining Funds, \$25,596,618
- Dispute Resolution, \$2,634,011
- Oregon Solutions, \$2,363,195
- OSU Fermentation Science, \$1,297,665
- Signature Research, \$1,089,319
- Labor Education Research Center, \$710,328
- OSU Ocean Vessel, \$648,833
- Population Research Center, \$455,705
- Institute of Natural Resources, \$417,797
- Clinical Legal Education, \$364,381
- Oregon Climate Change Research Institutes, \$327,490
- TallWood Design Institute, \$3,558,605
- PSU Profiling Study, \$262,162
- Total, \$39,726,110

### Agriculture Experiment Station

This budget unit provides state General Fund support for Agricultural Experiment Stations. The stations, operated by Oregon State University conduct research and demonstrations in the agricultural, biological, social and environmental sciences. Research is conducted at a central station at Corvallis and at branch stations in major crop and climate areas of the state.

The Subcommittee approved a budget of \$66,088,861 General Fund, which is a 0.5 percent increase above the current service level. No positions or FTE are included in this unit.

The Subcommittee approved Package 802, Program Enhancements, which adds \$322,901 General Fund for the Agricultural Experiment Station.

### Extension Service

This budget unit provides state General Fund support for the Extension Service. The Extension Service is the educational outreach arm of Oregon State University in its capacity as Oregon's land, sea, space and sun grant university. Extension faculty on campus and in county offices throughout the state work with researchers and volunteers to develop and deliver non-credit educational programs based on locally identified needs. Generally, counties provide office space and operating expenses, including support staff. Programs are delivered with the assistance of thousands of volunteers. The Extension Service budget also contains funding for Outdoor Schools, approved by the voters via Ballot Measure 99, in November 2016.

The Subcommittee approved a budget of \$71,717,403 total funds. No positions or FTE are included in this unit.

The Subcommittee approved Package 802, Program Enhancements. This package adds \$233,140 General Fund for the Extension Service over the Current Service Level (CSL) bringing total funding to \$47.7 million General Fund. The package also establishes \$24.0 million in Lottery Funds limitation for the Outdoor School program established by Ballot Measure 99 (2016). Funding at this level represents approximately 56 percent of the funding authorized in the language of the Ballot Measure. This lower level of funding will allow the program to be phased-in over its first two years. The Extension Service will provide funding for a five-day or equivalent program. This amount of funding is estimated to serve roughly 45 percent of the target population (5th and 6th graders) in the first school year, and roughly 65 percent in the second school year of the biennium. Administrative costs may be up to 15 percent for this first biennium of the program, although estimates provided by the Extension Service show they plan to spend less than the limit. The costs include programming, transportation, stipends or additional compensation for the classroom teacher and the administrative costs.

### Forest Research Laboratory

This budget unit provides state General Fund support for the Forest Research Laboratory at Oregon State University. The Forest Research Laboratory conducts research on sustainable forest yields, use of forest products, and stewardship of Oregon's resources. This research is conducted in laboratories and forests administered by the university and cooperative agencies and industries throughout the state. Research



results are made available to potential users through educational programs and publications that are directed to forest landowners and managers, manufacturers and users of forest products, leaders of government and industry, the scientific community, the conservation community, and the general public. The Subcommittee approved a budget of \$10,224,041 General Fund. No positions or FTE are included in this unit.

Package 802, Program Enhancements, was approved increasing state General Fund resources for the Extension Service by \$49,953 over the current service level bringing total funding to \$10.2 million General Fund. This represents a 0.5 percent increase over Current Service Level.

#### OHSU Programs

This budget unit includes all direct state payments to the Oregon Health Sciences University (OHSU) supporting the university's education, rural programs, Poison Center and the Child Development and Rehabilitation Center. The state also contributes a significant amount of other funding to OHSU, mainly through funding health services for state employees and clients through the Oregon Health Plan. The current service level amounts for each of the programs in this budget unit are as follows: The Subcommittee approved a budget of \$77,277,432 General Fund. No positions or FTE are included in this unit.

Package 802, Program Enhancements, adds \$1,344,191 General Fund for the Scholars for Healthy Oregon program and \$268,838 General Fund for the Primary Health Care Loan Forgiveness program. House Bill 3396 (2015) established the Health Care Provider Incentive Fund to consolidate Oregon's Health care provider incentive programs, including these two from OHSU. In the development of the 2017-19 budget, it was assumed the two OHSU programs would transfer to the Oregon Health Authority (OHA) and the new Fund. The current service level (CSL) for this budget assumes that the transfer would take place January 1, 2018, so only 25 percent of the funding is included in the CSL. Awards are made before the beginning of the academic year (prior to the students' commitment), meaning the awards for the first school year are made prior to the transfer date. OHSU requires a full year of funding for the 2017-18 school year so this package adds \$1.6 million General Fund. Half of the budget for these two programs is in the OHSU budget and the other half will be in OHA's budget.

#### Student Assistance

This program includes funding for the Oregon Opportunity Grant, Oregon Promise and other state, federal and private sources of financial aid including:

- The Oregon Opportunity Grant program is the state's largest need based grant program. It is funded with General Fund and Lottery Funds from interest earnings on the state's Education Stability Fund, and expired JOBS Plus education awards. At the current level of funding, it provides \$2,250 for the 2016-17 academic year to students attending an Oregon-based post-secondary institution on a full-time basis. Awards are made to students with the greatest financial need.

- The Oregon Promise program provides grants for two-years of post-secondary education to new high school graduates and GED recipients who meet academic and residency qualifications and begin school within six months of receiving their secondary education credential. The program is not needs based. Students are required to pay a \$50 per term copayment.
- Student childcare grants are available to assist students enrolled in post-secondary education in paying for childcare costs. In the 2015-16 academic year, HECC made 85 grants averaging \$5,450 per grant.
- HECC administers over 500 private scholarships established by foundations, corporations, individuals and others and awarded on a variety of criteria including high school attended, school and community activities, academic interests and career goals. Students are able to submit a single on-line application for all grants for which they qualify.

The Subcommittee approved a budget of \$160,865,627 General Fund, \$20,746,268 Lottery Funds limitation and \$196,842,271 total funds, an 8.2 percent increase over the current service level. No positions or FTE are included in this unit.

The Subcommittee approved Package 106, Continue and Expand Oregon Promise, adding \$19,832,194 General Fund for the Oregon Promise Program. This brings the funding for the program to approximately \$39.7 million. The current service level has \$19.8 million given the statutory limit of \$10 million annually (the difference is the cost for program staffing). The \$39.7 million represented the original estimate for serving all three cohorts participating in the program during 2017-19. More recent estimates based on the actual number of participants in the first year of the program (2016-17 academic year) are approximately \$8.1 million higher.

Package 801 reduces General Fund by \$5.0 million for the Oregon Promise program, the amount assumed in the Co-Chairs' Framework budget. This change will require Legislation to either reduce the number of participants based on Earned Family Contribution (EFC), increase the co-pay, cap enrollment, or some combination thereof. This \$5.0 million reduction reduces the funding for the Oregon Promise program to \$34.7 million. Additional Legislation on Oregon Promise will be needed to remove the annual \$10 million cap on this program for the 2017-19 biennium and to make any policy changes to meet the final budgeted amount for the program.

#### Workforce and Other Special Payments

This unit contains Other Funds and Federal Funds limitation that are distributed to community colleges, local workforce service areas, and other local providers. These programs include:

- Federal Workforce Innovation and Opportunity Act (WIOA) Title IB provides job training and other services to help adults, youth, and dislocated workers succeed in finding and holding jobs.
- WIOA Title II that helps adults improve basic reading, writing, math, English language and critical thinking skills.

- WIOA National Emergency Grants that provide services to dislocated workers following layoffs exceeding 50 workers.
- Other grants and programs, including federal Carl Perkins Technical and Applied Technology Act Funds transferred from the Department of Education.

General Fund programs include Work Ready Communities and National Career Readiness Certificates, technical assistance to local workforce boards, identification and dissemination of best practices among local boards and Back to Work Oregon.

The Subcommittee recommended a budget of \$8,144,577 General Fund and \$127,702,489 total funds.

Package 070, Revenue Shortfalls, reduces \$20,445 Other Funds expenditure limitation to recognize a shortfall in Other Funds revenues for the workforce programs. This shortfall is primarily related to the PRISM system operated by the Oregon Employment Department and its interaction with the workforce programs.

The Subcommittee approved Package 801 reducing the workforce investment programs by \$849,400 General Fund. The reductions will be spread across the following programs:

- **Industry Sector Strategies** which are partnerships that focus on key strategic industries in each community.
- **Local Competitiveness Strategies** which are used to incentivize innovative strategies at the local workforce development board level. Particular emphasis is on youth and incumbent workers as well as those experiencing multi-generational poverty issues and living in rural communities.
- **Back to Work Oregon** which is a hire first On the Job Training (OJT) program run through the nine local workforce development boards. The program has a 1 to 1 federal match for every general funded OJT. Funds are used for wages and training for a short time (generally up to 8 weeks).

The Subcommittee also approved Package 802, Program Enhancements, adding \$500,000 General Fund to reflect the transfer of the Talent Council responsibilities from the Oregon Employment Department. These responsibilities are transferred to the new Workforce and Talent Development Board. These grants are to address urgent talent gaps, prepare students and current workers to be productive in priority occupations and deliver innovative and cost-effective education and training models. It is anticipated two to six grants will be made with this amount of funding. A related package is found in the HECC Operations area of the budget for staffing and related costs.

### Oregon Youth Conservation Corps

The Oregon Youth Conservation Corps (OYCC) was established in 1987 for the purpose of providing education, training, and employment opportunities for disadvantaged and at-risk youth ages 16 to 25. OYCC's goals are to improve work skills, instill work ethics, and increase employability. Jobs are created through partnerships with public natural resource agencies. Amusement device taxes, federal Workforce Innovation and Opportunity Act Funds, public and private grants and agreements with state and federal natural resource agencies support OYCC programs. The Subcommittee recommended a budget of \$3,836,356 total funds and three positions (3.00 FTE) - no change from the current service level.

### Sports Lottery

The revenue for this budget unit is the one percent of Lottery Funds deposited into the Department of Administration Services Economic Development Fund and is transferred to the Sports account to finance intercollegiate athletics and graduate student scholarships. Eighty-eight percent of the revenues deposited into the Sports Lottery Account are used to finance intercollegiate athletics. The remaining 12.0 percent are for graduate student scholarships and are not awarded on the basis of athletics. Of the athletic funds, 70.0 percent must be used for non-revenue producing sports and at least 50.0 percent must be used for women's athletics.

The Subcommittee approved a budget of \$8,240,000, which is the same as the 2015-17 Legislatively Approved Budget. No positions or FTE are included in this unit.

Package 801 reduces the Sports Lottery funding by \$4,072,245 the Lottery Funds expenditure limitation leaving it at the \$8.24 million level it was in 2015-17. The funds are to be distributed among the public universities in the same amounts distributed in the 2015-17 biennium.

- Eastern Oregon University           \$ 913,239
- Oregon Institute of Technology     \$ 913,239
- Oregon State University            \$1,030,000
- Portland State University          \$2,277,567
- Southern Oregon University        \$ 913,239
- University of Oregon                \$1,030,000
- Western Oregon University         \$1,162,716

### Public University Debt Service

This budget unit includes the cost of debt service on capital construction and information systems projects financed with bonds and Certificates of Participation (COPs). Debt service on Article XI-G bonds is paid with General Fund and public universities must at least match the state's share in the project; Article XI-Q bond's debt service are paid with General Fund; Lottery bonds debt service is paid with Lottery Funds. Payment of debt service on SELP loans, and COPs is split between General Fund and campus funds, depending on how each project was authorized. All debt service on Article XI-F (1) bonds is paid with campus funds. The Subcommittee approved a budget of \$161,731,988 General Fund, \$31,921,630 Lottery Funds and \$411,981,773 total funds. No positions or FTE are included in this unit.

Package 801 increases the Nonlimited Other Funds for the public universities by \$3,899,525, which is the estimated amount of increased payments made on the general obligation Article XI-F bonds. These bonds are sold for the benefit of public universities, but the debt service is paid by the public universities from their own revenues. State resources are only liable if the public university is unable to pay their debt service costs. Also included in this package, is the establishment of an Other Funds limitation for debt service of \$900,000. There have been earnings on Article XI-G and XI-Q general obligation bonds proceeds, which are generated as Other Funds, but can be used to offset General Fund debt service. There is a corresponding reduction in General Fund debt service of a similar amount in the end of session bill. Other adjustments to debt service may also be made for public universities in the end of session bill.

### Community College Debt Service

Debt service on Article XI-G bonds and Lottery Bonds sold to finance community college capital projects are budgeted in this program unit. Debt service on Article XI-G bonds is paid with General Fund and require the college to match the state's proceeds with funds generated at the college level; Lottery bonds debt service is paid with Lottery Funds. The Subcommittee approved a budget of \$32,118,011 General Fund, \$11,733,159 Lottery Funds and \$44,401,170 total funds. No positions or FTE are included in this unit.

The Subcommittee approved Package 801 providing for an Other Funds expenditure limitation for debt service of \$550,000. There have been earnings on Article XI-G general obligation bond proceeds which are generated as Other Funds, but can be used to offset General Fund debt service for the community colleges. There is a corresponding reduction in General Fund debt service of a similar amount in the end of session bill. Other adjustments to debt service may also be made for community colleges in the end of session bill.

### OHSU Debt Service

This program unit includes debt payments on Article XI-G bonds issued on behalf of OHSU, when it was a part of the Department of Higher Education prior to 1995. Debt service on other bonds issued to benefit OHSU capital projects, including the Knight Cancer Institute, the Opportunity Program and Article XI-F (1) legacy bonds, is included in the DAS budget.

The Subcommittee recommended a budget of \$598,400 General Fund, no change from the current service level.

### Public University Capital Construction

This program unit includes state funding for capital projects for public universities. All projects funded with bond proceeds are budgeted as Other Funds, regardless of the type of bonds. Bond proceeds are provided to the universities under agreements signed by the universities, either as grants (Article XI-G, Article XI-Q, and Lottery bonds) or loans (Article XI-F (1) bonds) and are budgeted as Special Payments.

The recommendations of the Subcommittee do not address the department's bond requests. The Joint Committee on Ways and Means Capital Construction Subcommittee is reviewing bond and capital construction requests and will include any budget adjustments related to bond-supported programs in bond authorization bills and other bills later in the session.

### Community College Capital Construction

This program unit includes state funding for capital projects for community colleges. All projects funded with bond proceeds are budgeted as Other Funds, regardless of the type of bonds. Bond proceeds are distributed under agreements signed by the colleges and are budgeted as Special Payments.

The Subcommittee recommended a budget of \$1,500,000 Other Funds limitation. The recommendations of the Subcommittee do not address the department's bond requests. The Joint Committee on Ways and Means Capital Construction Subcommittee is reviewing bond requests and will include any budget adjustments related to bond-supported programs in bond authorization bills and in the end-of-session bill.

The Subcommittee approved Package 801 extending the Other Funds expenditure limitation for a project at Linn Benton Community College (LBCC) approved for Lottery Bonds, during the 2015 Legislative Session (Senate Bill 5507). The project was the construction of the Advanced Transportation Center established to advance statewide transportation energy policy as well as to provide education and training of students at LBCC. The project is to include an automotive technician training center, a heavy transportation/diesel training center, an innovation center, an anaerobic digester for renewable gas production. The bonds were sold in April 2017 and this package will extend the limitation to the end of June 2019, which should be sufficient time to complete and closeout the project.

### Summary of Performance Measure Action

See attached Legislatively Adopted 2017-19 Key Performance Measures form.

## DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

Higher Education Coordinating Commission  
Patrick Heath - 503-378-3742

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2015-17 Legislatively Approved Budget at Dec 2016 *	\$ 1,784,486,354	\$ 62,406,155	\$ 32,874,714	\$ 455,219,726	\$ 111,932,844	\$ 18,968,833	\$ 2,465,888,626	143	124.30
2017-19 Current Service Level (CSL)*	\$ 1,872,512,821	\$ 76,713,302	\$ 27,739,047	\$ 209,147,256	\$ 114,694,286	\$ 23,556,205	\$ 2,324,362,917	126	118.52
<b>SUBCOMMITTEE ADJUSTMENTS (from CSL)</b>									
<b>SCR 101 - HECC Operations</b>									
Package 109: Infrastructure Positions									
Personal Services	\$ (150,010)	\$ -	\$ 189,410	\$ -	\$ -	\$ -	\$ 39,400	0	0.00
Package 801: LFO Analyst Adjustments									
Personal Services	\$ (200,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (200,000)	0	0.00
Package 802: Program Enhancements									
Personal Services	\$ 249,655	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 249,655	1	1.05
Services and Supplies	\$ 250,345	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,345		
Package 812: Vacant Position Elimination									
Personal Services	\$ (746,041)	\$ -	\$ (36,639)	\$ -	\$ (188,209)	\$ -	\$ (970,889)	(5)	(4.33)
<b>SCR 102 - Support to Community Colleges</b>									
Package 801: LFO Analyst Adjustments									
Special Payments	\$ (2,131,621)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,131,621)		
Package 802: Program Enhancements									
Special Payments	\$ 6,387,669	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,387,669		
<b>SCR 103 - Public University Operations and Student Support</b>									
Package 801: LFO Analyst Adjustments									
Special Payments	\$ (570,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (570,000)		
Package 802: Program Enhancements									
Special Payments	\$ 44,147,865	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,147,865		
<b>SCR 104 - Public University State Programs</b>									
Package 802: Program Enhancements									
Special Payments	\$ 194,096	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 194,096		
<b>SCR 105 - Agricultural Experiment Station</b>									
Package 802: Program Enhancements									
Special Payments	\$ 322,901	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 322,901		
<b>SCR 106 - Extension Service</b>									
Package 802: Program Enhancements									
Special Payments	\$ 233,140	\$ 24,000,000	\$ -	\$ -	\$ -	\$ -	\$ 24,233,140		
<b>SCR 107 - Forest Research Laboratory</b>									
Package 802: Program Enhancements									
Special Payments	\$ 49,953	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,953		

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
<b>SCR 108 - OHSU Programs</b>									
Package 802: Program Enhancements Special Payments	\$ 1,613,029	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,613,029		
<b>SCR 109 - Student Assistance</b>									
Package 106: Continue and Expand Oregon Promise Special Payments (Dist. to Individuals)	\$ 19,832,194	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,832,194		
Package 801: LFO Analyst Adjustments Special Payments	\$ (5,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5,000,000)		
<b>SCR 110 - Workforce and Other Payments</b>									
Package 070: Revenue Shortfalls Special Payments (Dist. to Community College Districts)	\$ -	\$ -	\$ (20,445)	\$ -	\$ -	\$ -	\$ (20,445)		
Package 801: LFO Analyst Adjustments Special Payments	\$ (849,400)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (849,400)		
Package 802: Program Enhancements Special Payments	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500,000		
<b>SCR 112 - Sports Lottery</b>									
Package 801: LFO Analyst Adjustments Special Payments	\$ -	\$ (4,072,245)	\$ -	\$ -	\$ -	\$ -	\$ (4,072,245)		
<b>SCR 113 - Public University Debt Service</b>									
Package 801: LFO Analyst Adjustments Debt Service	\$ -	\$ -	\$ 900,000	\$ 3,899,525	\$ -	\$ -	\$ 4,799,525		
<b>SCR 114 - Community College Debt Service</b>									
Package 801: LFO Analyst Adjustments Debt Service	\$ -	\$ -	\$ 550,000	\$ -	\$ -	\$ -	\$ 550,000		
<b>SCR 117 - Community College Capital Construction</b>									
Package 803: Technical Adjustments Special Payments	\$ -	\$ -	\$ 1,500,000	\$ -	\$ -	\$ -	\$ 1,500,000		
<b>TOTAL ADJUSTMENTS</b>	<b>\$ 64,133,775</b>	<b>\$ 19,927,755</b>	<b>\$ 3,082,326</b>	<b>\$ 3,899,525</b>	<b>\$ (188,209)</b>	<b>\$ -</b>	<b>\$ 90,855,172</b>	<b>(4)</b>	<b>(3.28)</b>
<b>SUBCOMMITTEE RECOMMENDATION *</b>	<b>\$ 1,936,646,596</b>	<b>\$ 96,641,057</b>	<b>\$ 30,821,373</b>	<b>\$ 213,046,781</b>	<b>\$ 114,506,077</b>	<b>\$ 23,556,205</b>	<b>\$ 2,415,218,089</b>	<b>122</b>	<b>115.24</b>
% Change from 2015-17 Leg Approved Budget	8.5%	54.9%	(6.2%)	(53.2%)	2.3%	24.2%	(20.5%)	(14.7%)	(7.3%)
% Change from 2017-19 Current Service Level	3.4%	26.0%	11.1%	1.9%	(0.2%)	0.0%	(3.9%)	(3.2%)	(2.8%)

\*Excludes Capital Construction Expenditures



# Legislatively Approved 2017 - 2019 Key Performance Measures

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Agency: Higher Education Coordinating Commission

**Mission Statement:**

The Higher Education Coordinating Commission seeks to: Broaden pathways to the goal of educational success beyond high school by achieving at least 40% of adult Oregonians earning a bachelor's degree or higher and at least 40% of adult Oregonians earning an associate's degree or post-secondary credential as their highest level of educational attainment by 2025 (see ORS 351.009 Mission of Education Beyond High School) Make the pathways accessible, affordable and supportive for students Steer the higher education enterprise Cheer the promotion of college completion and career readiness

Legislatively Approved KPMs	Metrics	Agency Request	Last Reported Result	Target 2018	Target 2019
1. Oregon High School Graduates Attending College - Percentage of Oregon students enrolled in college within 16 months of their 4-year high school cohort graduation date.		Approved	59.40%	66%	66%
3. College Credits Earned by K-12 Students - Amount of postsecondary credit per graduate awarded to K-12 students.		Approved	9.24%	9.50%	10%
7. Public University Graduation Rate - Percentage of Oregon college students who complete a bachelor's degree within 6 years.		Approved	62.70%	63.50%	64%
9. Unaffordability of postsecondary education - Percentage of resident enrolled students who are incurring unaffordable costs, adjusted with institutional aid		Approved	77.50%	74.50%	74%
15. Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Overall	Approved	61%	90%	90%
	Expertise		67%	90%	90%
	Helpfulness		70%	90%	90%
	Availability of Information		60%	90%	90%
	Timeliness		54%	90%	90%
16. Agency Best Practices - Percent of total best practices met by the Commission.		Approved	97%	100%	100%
2. Racial/Ethnic Differences Among Oregon High School Graduates Attending College - Percentage of Oregon students enrolled in college within 16 months of their 4-year high school cohort graduation date, disaggregated by race/ethnicity	American Indian or Alaskan Native	Proposed New	No Data	62.50%	66%
	b) Asian American		No Data	66%	66%
	c) Black or African American		No Data	66%	66%
	d) Hispanic or Latina/-o		No Data	61.70%	66%
	e) Native Hawaiian or Pacific Islander		No Data	61.30%	66%
	f) White		No Data	65.20%	66%
4. Oregon Educational Attainment - Percent of young Oregon adults with higher education degree or certificate		Proposed New	No Data	55%	56.90%
5. Community College Completion and Transfer Rate - Percentage of Oregon college students who complete an associate degree or certificate or who transfer to the university system within three years.		Proposed New	No Data	TBD	TBD

Legislatively Approved KPMS	Metrics	Agency Request	Last Reported Result	Target 2018	Target 2019
6. Racial/Ethnic Differences for Community College Completion and Transfer Rate - Percentage of Oregon college students who complete an associate degree or certificate or who transfer to university system within three years by race/ethnicity.	American Indian or Alaska Native	Proposed New	No Data	TBD	TBD
	b) Asian American		No Data	TBD	TBD
	c) Black or African American		No Data	TBD	TBD
	d) Hispanic or Latina/-o		No Data	TBD	TBD
	e) Native Hawaiian or Pacific Islander		No Data	TBD	TBD
	f) White		No Data	TBD	TBD
8. Racial/Ethnic Differences for Public University Graduation Rate - Percentage of Oregon public university students who complete a bachelor's degree within 6 years by race/ethnicity.	American Indian or Alaska Native	Proposed New	No Data	63.50%	64%
	b) Asian American		No Data	70%	73%
	c) Black or African American		No Data	63.50%	64%
	d) Hispanic or Latina/-o		No Data	63.50%	64%
	e) Native Hawaiian or Pacific Islander		No Data	63.50%	64%
	f) White		No Data	65%	67%
10. Racial/Ethnic Differences in College Affordability - Percentage of resident enrolled students who are incurring unaffordable costs adjusted with institutional aid by race/ethnicity.	American Indian or Alaska Native	Proposed New	No Data	74.50%	74%
	b) Asian American		No Data	74.50%	74%
	c) Black or African American		No Data	74.50%	74%
	d) Hispanic or Latina/-o		No Data	74.50%	74%
	e) Native Hawaiian or Pacific Islander		No Data	74.50%	74%
	f) White		No Data	74.50%	74%
11. Earnings of Community College Completers - Median earnings of community college completers five years after completion.		Proposed New	\$34,358.31	\$35,745.00	\$36,460.00
12. Racial/Ethnic Differences in Earnings of Community College Completers Five Years After Completion - Median earnings of community college completers five years after completion by race/ethnicity.	American Indian and Alaska Native	Proposed New	No Data	\$35,745.00	\$36,460.00
	b) Asian American		No Data	\$35,745.00	\$36,460.00
	c) Black or African American		No Data	\$35,745.00	\$36,460.00
	d) Hispanic or Latina/-o		No Data	\$35,745.00	\$36,460.00
	e) Native Hawaiian or Pacific Islander		No Data	\$35,745.00	\$36,460.00
	f) White		No Data	\$35,745.00	\$36,460.00
13. Earnings of bachelor's degree completers - Median earnings of graduates with bachelor's degrees five years after completion		Proposed New	No Data	\$42,145.00	\$42,997.00
14. Racial/Ethnic Differences in Earnings of Bachelor's Degree Completers Five Years After Completion - Median earnings of graduates with bachelor's degrees, five years after completion by race/ethnicity.	American Indian or Alaska Native	Proposed New	No Data	\$42,154.00	\$42,997.00
	b) Asian American		No Data	\$42,154.00	\$42,997.00
	c) Black or African American		No Data	\$42,154.00	\$42,997.00
	d) Hispanic or Latina/-o		No Data	\$42,154.00	\$42,997.00

Legislatively Approved KPMS	Metrics	Agency Request	Last Reported Result	Target 2018	Target 2019
	e) Native Hawaiian or Pacific Islander		No Data	\$42,154.00	\$42,997.00
	f) White		No Data	\$42,454.00	\$42,997.00
3. Number of adult high school diplomas/GEDs earned - Number of people earning GEDs and adult high school diplomas in Oregon each year.		Proposed Delete	3,058	0	0
4. Developmental education pass rates - Percent of students enrolled in a developmental education math or writing course below the 100 level who successfully complete the course: Writing.	a) Writing	Proposed Delete	69.03%	69%	0%
	b) Math		64.60%	0%	0%
5. Success of developmental education students in college math and English - Percent of students enrolled in at least 6 credits who successfully complete college-level math or writing course within 24 months of enrolling in a corresponding community college math or writing developmental education course compared to the number of students enrolled in developmental education generally.	a) Math	Proposed Delete	22.80%	23%	0%
	b) English		43.90%	0%	0%
6. Number of community college students who have earned 15-29 college credits.		Proposed Delete	37,489	38,000	0
7. Number of community college students who have earned 30-44 college credits.		Proposed Delete	23,053	24,500	0
8. Number of community college students who earn at least 45 college credits.		Proposed Delete	5,454	5,850	0
9. Certificate and OTM Earners - Number of certificates awarded and Oregon Transfer Modules (OTM) earned each academic year.		Proposed Delete	9,306	8,650	0
10. Associate's Degrees - Number of associate's degrees completed each academic year.		Proposed Delete	12,869	12,000	12,000
11. Completion Ratio - Number of degrees, certificates completed, and transfer prior to completion per 100 credit-bearing FTE		Proposed Delete	40.20%	38%	0%
12. Community college to university transfers - Number of students who transfer to any four-year institution each academic year.		Proposed Delete	27,125	26,750	26,750
13. Earnings of community college leavers - Median earnings of community college completers four quarters and five years after completion	a) 4 Quarters	Proposed Delete	\$16,437.87	\$0.00	\$0.00
	b) 5 Years		\$29,298.04	\$0.00	\$0.00
15. First-year retention rate - Percentage of Oregon public university students starting in a fall term and returning to an Oregon public university the following fall.		Proposed Delete	82.90%	83%	83%
17. Number of bachelor's degrees awarded each academic year - Number of bachelor's degrees awarded at Oregon public universities each academic year		Proposed Delete	16,712	16,850	16,850
18. Number of advanced degrees and graduate certificates awarded - Number of advanced degrees and graduate certificates awarded at Oregon public universities each academic year.		Proposed Delete	6,326	6,100	6,100
19. Bachelor's degrees awarded to community college transfers - Number of bachelor's degrees awarded to transfer students from Oregon community colleges each academic year		Proposed Delete	4,406	4,400	4,400
20. Graduation rate for non-traditional students - Graduation rate for newly admitted undergraduate students who are not first-time full-time freshman students (within six years of enrollment).		Proposed Delete	63.50%	63%	63%

Legislatively Approved KPMs	Metrics	Agency Request	Last Reported Result	Target 2018	Target 2019
21. Earnings of bachelor's degree completers - Median earnings of graduating students (BA/BS only) four quarters and five years after graduation.	4 quarters	Proposed Delete	\$20,611.00	TBD	TBD
	5 years		\$40,517.00	TBD	TBD
22. Percentage of resident enrolled students who are incurring unaffordable costs.		Proposed Delete	85.50%	TBD	TBD
24. University graduate debt - Average debt amount of Bachelor's graduates accompanied by percent of graduates who are borrowers.	a) Debt Amount	Proposed Delete	\$26,106.00	\$24,700.00	\$24,700.00
	b) Percentage of Students with Debt		\$62.00	\$60.00	\$60.00
25. Student loan default rates - Three-year official cohort student loan default rates	a) Public Universities	Proposed Delete	5.10%	6.40%	6.40%
	b) Public Community Colleges		21.40%	22.90%	22.90%
	c) Higher Education Institutions		14.10%	14.30%	14.30%
26. Average cost of attendance - Average cost of attendance for resident undergraduates minus grant aid as a percentage of median income.		Proposed Delete	27.40%	27.50%	27.50%
27. Tuition and fees - Average statewide tuition and fees minus grant aid and net assessed tuition and fees per resident, undergraduate FTE (colleges and universities).	a) Average statewide tuition and fees minus grant aid	Proposed Delete	\$3,141.00	\$0.00	\$0.00
	b) Net assessed tuition and fees per resident, undergraduate FTE		\$429.00	\$0.00	\$0.00

**LFO Recommendation:**

The Higher Education Coordinating Commission (HECC) has proposed a "makeover" of their KPMs. Since HECC is a relatively new agency it had just assumed using the various KPMs that it "inherited" from its predecessors including Oregon University System, Department of Community College and Workforce Development (CCWD), and the Oregon Student Access Commission (OSAC). Now with a few years since it was established, the agency has brought forward a new set of KPMs replacing most of the 28 KPMs it had. HECC maintains six existing KPMs which measure percent of high school graduates attending college within 16 months of graduation, college credits earned by K-12 students, public university graduation rates, unaffordability of postsecondary education, and the standard customer services and best practices common to many state agencies. Many of the proposed new KPMs measure similar items or policies some of the KPM proposed for deletion, but are better in terms of data availability or measurement. HECC wanted to make sure progress toward equity was included for some of its KPMs. For example, the existing KPM #1 measuring the percentage of Oregon students enrolled in college within 16 months of graduation is paired with KPM #2 which further breaks the measure down by race/ethnicity. Similar pairings are made in community college completion and transfer rate, public university graduation rate, college affordability, and earning of recent completers at community colleges and public universities.

The new set of measurers are generally more broad, but the agency is committed to annually or biennially preparing reports that will provide more detailed or "drilled down" measures related to one or more of the broader KPMs. Even though the KPM system is limited in allowing existing data to be included for proposed or new KPMs, the agency does have data for most of the new measures. This information is available from the agency.

LFO recommends the approval of this new set of KPMs. It should be noted that at least one of the agency's primary focus areas - workforce development – is not included in the new set of KPMs. LFO recommends that HECC explore the potential for a KPM in this area and report back to the 2019 Legislature with any proposed KPMs for this area.

**SubCommittee Action:**

Accept the LFO recommendation.