



Oregon

Kate Brown, Governor

Higher Education Coordinating Commission

Ben Cannon, Executive Director
255 Capitol Street NE, Third Floor
Salem, OR 97310
www.oregon.gov/HigherEd

March 11, 2019

The Honorable Betsy Johnson, Co-Chair
The Honorable Elizabeth Steiner Hayward, Co-Chair
The Honorable Dan Rayfield, Co-Chair
Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, Oregon 97301-4048

Dear Co-Chairs of the Joint Committee on Ways and Means:

Notification of Agency Action

The Higher Education Coordinating Commission (HECC) wishes to notify the Co-chairs of the Joint Committee on Ways and Means about two actions that it will take in advance of the Legislature's final decisions about 2019-21 appropriations to the Higher Education Coordinating Commission:

1. Starting this month, we will commit to disburse up to \$72.5 million in Oregon Opportunity Grant (OOG) funds to students for the 2019-20 academic year. This represents approximately 48% of the biennial Current Service Level (CSL) for the program and will permit us to serve approximately the same number of students that we do in the current academic year.
2. Starting this month, we will commit to disburse up to \$15 million in Oregon Promise funds to students for the 2019-20 academic year, based on the Co-chairs' budget of \$30 million for the biennium. This represents 36% of the biennial CSL and will require an approximately \$5 million reduction from the projected cost of serving all currently-eligible students in 2019-20. To achieve this reduction, the Commission will establish eligibility restrictions based on Expected Family Contribution (EFC). We will have the opportunity to revisit those eligibility caps if the Legislative Assembly eventually adopts a larger budget for the program.

It is worth noting the critical importance of providing clear, accurate, and timely communications to students and families who may anticipate utilizing these programs. Many students make college enrollment decisions in the spring based partly on their expectations about the availability of the Oregon Opportunity Grant and the Oregon Promise. New eligibility restrictions, such as those we will impose on the Oregon Promise, must be planned and communicated well in advance in order to minimize negative impacts and added gaps in college access. In light of the Co-chairs' budget, Commission staff will develop and start to implement a communications plan announcing these reductions to students, families, and schools by the end of this week.

Agency Action

Oregon's colleges and universities begin awarding financial aid to students for the upcoming academic year in February and March – well before the Legislative Assembly finalizes state agency budgets for the biennium. Schools need Oregon Opportunity Grant (OOG) and Oregon Promise award information by March so they can include awards in students' financial aid packages, which include Federal Pell Grants, Oregon Opportunity Grants, and other types of financial aid (grants, scholarships, and loans). Students need this information in order to make informed decisions about which college they hope to attend and how to pay for it.

As you are aware, financial aid is critical for the ability of students to access, afford, and complete postsecondary education. The financial aid need of Oregonians is vast, and without significant funding increases the Oregon Opportunity Grant (OOG) will remain unable to support all high-need students. In a typical year, Oregon has over 100,000 students whose Expected Family Contribution (EFC) is low enough (below \$5,434) to qualify them for a federal Pell Grant. At the OOG's 2019-21 Current Service Level (CSL), however, we expect only to be able to serve a subset of those Pell-eligible students, likely just those whose EFC is at or below \$3,500.

The agency generally tries to spend approximately 49% of OOG funds in the first year of a biennium and 51% in the second year so that the Commission can serve approximately the same number of students each year and offset a portion of annual increases in college costs. In 2017-18, HECC awarded approximately 47% of CSL in the first year of the biennium and is spending the remaining balance during the 2018-19 academic year.

The 2017-19 Legislatively Approved Budget (LAB) for the OOG is \$145.9 million. For 2019-21, the Governor's Recommended Budget (GRB) maintains the program's base funding at the CSL of \$152.0 million, an increase of 4.2% above the 2017-19 LAB. In light of continuing uncertainty about the 2019-21 budget and our expectation that the OOG in 2019-21 will rely even more heavily on revenues associated with earnings on the Education Stability Fund (ESF), we will limit initial spending commitments in the first year of the biennium to approximately 48% of CSL, or \$72.5 million. If the Legislatively Approved Budget for 2019-21 equals or exceeds CSL and ESF revenue projections remain solid, we will either make additional awards for the 2019-20 school year, spend the remaining balance of the appropriation in the second year of the biennium, or some combination of the two.

The 2019-21 CSL budget for the Oregon Promise Grant is \$41.5 M. The GRB funds the program at \$21.5 M, eliminating the program for the second year of the biennium, while the Co-chairs' budget funds the program at \$30 M. Given the wide range in possible budget outcomes for this program, we intend to implement a cost control measure by setting an EFC cap. This spring we will start making new Oregon Promise grant awards to new eligible students under the targeted EFC. This will be a sensitive and impactful measure for well over 1,000 Oregon learners. In our communications, we will indicate that the EFC limit



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does not affect current participants, and that funding for the awards we make is contingent upon the final Legislatively Approved Budget.

Intended Action

The Commission will award up to \$72.5 million in Oregon Opportunity Grant (OOG) funds for the 2019-20 academic year to the highest need eligible applicants starting in mid-March 2019. The Commission will make award commitments of up to \$15 million in the Oregon Promise program for the 2019-20 academic year and will set an EFC cap to prioritize funding to the highest-need eligible applicants starting mid-March 2019.

Legislation Affected

None.

Sincerely,

Ben Cannon
Executive Director