

## Higher Education Coordinating Commission -- Support of Community Colleges

	2017-19 Actual	2019-21 Legislatively Adopted	2019-21 Legislatively Approved *	2021-23 Current Service Level	2021-23 Governor's Budget
General Fund	640,386,651	715,028,372	709,854,395	755,105,047	725,180,519
Lottery Funds	11,699,202	11,277,642	11,277,642	13,379,130	13,379,130
Other Funds	102,943,051	28,032,665	28,769,621	47,780	32,570,563
<b>Total Funds</b>	<b>755,028,904</b>	<b>754,338,679</b>	<b>749,901,658</b>	<b>768,531,957</b>	<b>771,130,212</b>

\* Includes Emergency Board and administrative actions through January 2021.

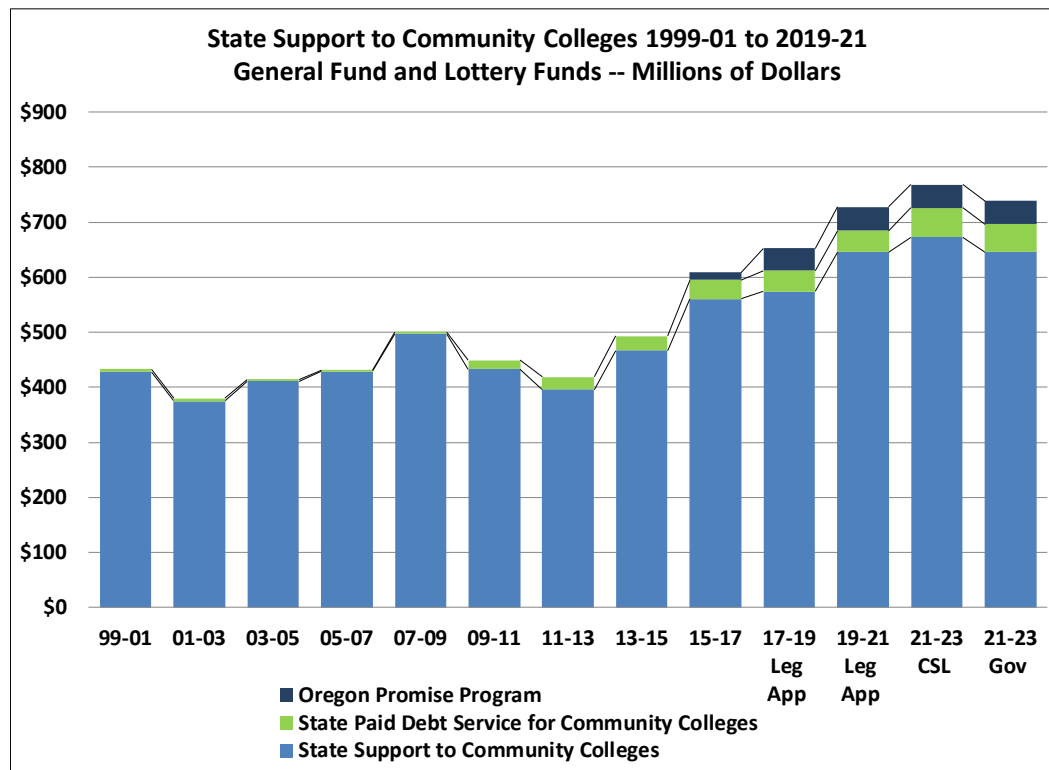
### Program Description

This program area represents the funds through the Community College Support Fund distributed to the 17 community colleges, debt service payments of state issued bonds on behalf of community college facilities, capital construction related to community college projects, and specific payments for programs that are located at or benefit community colleges and their students. The largest program is the Community College Support Fund which is a “block grant” distributed to the community colleges based on a distribution formula for their educational services and general operational costs. This budget area also includes the Oregon Promise program which is available only to community colleges students but administered through the Office of Student Access and Completion (OSAC). This program generally provides tuition assistance to students who recently graduated from high school. Also included are two smaller programs; (1) payments to the two Skills Centers in the Portland Metro area; and (2) funding to increase the number of underserved, low-income, and first-generation community college students (HB 3063-2015). All staff for these programs are included in the Operations part of the budget. Below are the programs and budget for each in the 2021-23 CSL.

<b>State Support to Community Colleges 2021-23 Current Service Level</b>				
<i>Millions of Dollars</i>				
	<b>General Fund</b>	<b>Lottery Funds</b>	<b>Other Funds</b>	<b>Total Funds</b>
Community College Support Fund	669.1		0.1	669.2
Skills Centers	1.4			1.4
Underserved Students (HB 3063-2015)	2.6			2.6
Oregon Promise	42.2			42.2
Debt Service	39.7	13.4		53.1
Capital Construction	-	-	-	-
<b>Total</b>	<b>755.0</b>	<b>13.4</b>	<b>0.1</b>	<b>768.5</b>

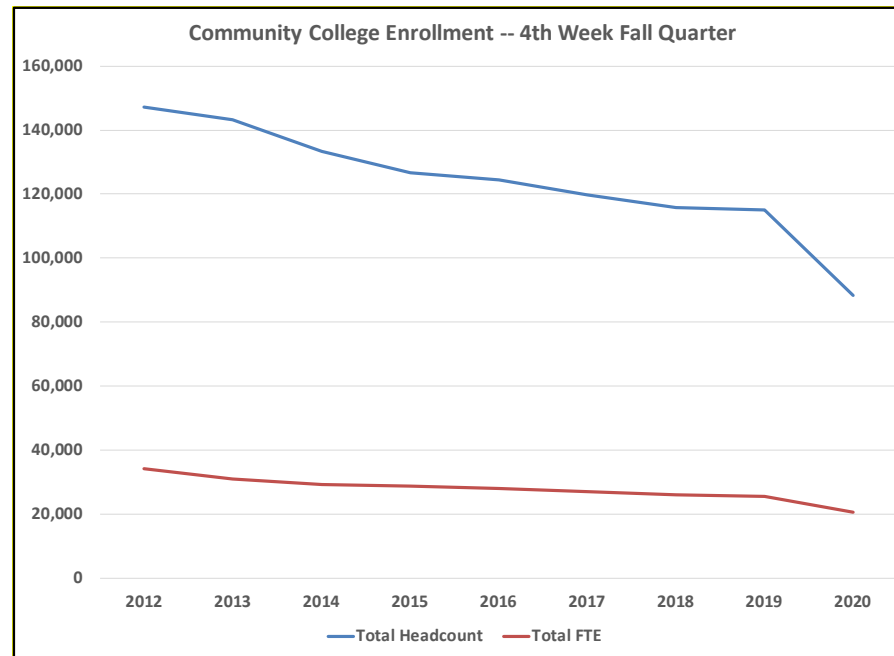
CSL Summary and Issues

- The 2021-23 CSL for the Community College Support Fund of \$673.1 million (includes Skills Centers and HB 3063 funding) is based on adjustments including for increases in the PERS rate, health benefits, and pension obligation bonds payments. It uses the standard inflation rates for the remaining cost components. The CSL is not adjusted for number of students which has been falling in the past few years. Overall, there is a 4.2% increase, or \$27.4 million, over the \$645.8 million total for the 2019-21 Community College Support Fund.
- As in the case of the State School Fund and the Public University Support Fund, there are different approaches to calculating the CSL for the Community College Support Fund. The CSL used here is the State’s CSL and not one for all costs of community colleges. This estimate assumes the cost increases attributed to the Support Fund and the local revenue estimates used in the distribution of the Support Fund. It does not include the increases attributed to that share of costs funded with student tuition/fees, federal grants, or other sources of revenues.
- The CSL for the Oregon Promise program and the two smaller programs are based on the standard inflation rate.



## Policy Issues

- The level of funding for the Community College Support Fund is not dependent on the number of students attending Community Colleges. Based on the enrollment in the 4th week of the Fall quarter, enrollment measured in both total headcount and student FTE has continued to fall since 2012. At the same time, funding for the Community College Support Fund has grown by 70% from \$396 million for 2011-13 to over \$673 million for 2021-23 CSL. Over the past 15 years, enrollment is up during harder economic times and as the economy improves enrollment falls off as more jobs are available. While enrollment is not the only cost variable of community colleges, other programs such as the State School Fund and the Oregon Health Plan do use enrollment or headcount in their CSL calculations.



- The combination of the pandemic and the wildfires has dramatically reduced enrollment at community colleges. Total headcount has fallen over 23% between 2019 and 2020 Fall Quarter while the student FTE has fallen by almost 19% as demonstrated in the chart above.
- There have been discussions in the past on options for changing how the Support Fund is distributed to the 17 community colleges. Currently the distribution is generally 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 adopted for public universities but has not moved forward for community colleges.

- The transition from high school to post-secondary education continues to be an issue. Some of these discussions have been not directly fiscal in nature, but more about transferable credits and relationships between K-12 districts and post-secondary institutions. Discussions continue and there has been some progress made in this area.
- Community colleges received \$40.8 million in direct funding from the CARES Act passed last Spring. The Coronavirus Response and Relief Supplemental Act (CRRSA) passed in December 2020 will likely provide another \$70 million. As with the CARES Act funding, a portion will need to be used for student emergency financial assistance.

#### Other Significant Issues and Background

- The Oregon Promise program's enrollment has varied from roughly 7,000 for the high school graduating class of 2015-16 falling to 6,102 for the class of 2016-17 and climbing to 7,351 for the class of 2018-19. Preliminary data for the class of 2020-21 shows a significant drop. Income limits based on Earned Family Contribution (EFC) on the program have played some role in these changes. For 2020-21, there is an EFC limit of \$22,000 due to reduction to program funding made during the August 2020 special session. There are several variables driving the uncertainty in this program including the impact the economy has on participation and the number of participants who return for a second year of the program.
- The State issues bonds (Article XI-G and Lottery) for projects at the various community colleges. Article G bonds require an equal match to the amount of bond proceeds -- generally these local matches are local revenues from the community colleges such as proceeds of local bond, donations, or federal grants. The amount of state funded debt service continues to increase for bonds issued on behalf of community colleges. In 2007-09, the General Fund appropriated for debt service for community colleges was just \$3.2 million and there was no Lottery Bonds debt service. For 2021-23 CSL, the General Fund appropriation has grown to \$39.7 million and there is an additional \$13.4 million in Lottery Bonds related debt service.
- The 2019-21 Governor's budget funds the Community College Support Fund at a level of \$645.8 million General Fund, the same amount as for 2019-21. Funding for the Oregon Promise program grows to \$42.2 million for 2021-23
- The Governor's 2021-23 budget includes five new community college projects to be financed with a combination of the Article XI-G bonds and local match. A total of \$32.5 million in XI-G bonds are proposed for Tillamook Bay, Rogue, Linn Benton, Chemeketa, and Klamath community colleges. A number of other projects were reauthorized.

## Higher Education Coordinating Commission -- Support of Public Universities

	2017-19 Actual	2019-21 Legislatively Adopted	2019-21 Legislatively Approved *	2021-23 Current Service Level	2021-23 Governor's Budget
General Fund	1,054,358,596	1,216,963,815	1,202,974,640	1,283,540,428	1,259,182,451
Lottery Funds	64,121,603	93,150,451	90,885,159	99,265,110	97,368,472
Other Funds	406,176,426	82,576,783	269,812,784	4,101,340	313,531,240
Other Funds (NL)	236,278,090	203,917,130	208,678,254	162,334,350	162,334,350
Federal Funds (NL)	4,598,449	4,597,230	4,597,230	--	--
<b>Total Funds</b>	<b>1,765,533,164</b>	<b>1,601,205,409</b>	<b>1,776,948,067</b>	<b>1,549,241,228</b>	<b>1,832,416,513</b>

\* Includes Emergency Board and administrative actions through January 2021.

### Program Description

Oregon's seven public universities include the 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 to 2013, the public universities were part of the Oregon University System (OUS). Passage of SB 242 (2011) and SB 270 (2013) changed the organizational structure and governance of the state's public universities. OUS, which had previously been the state agency for the state's public universities, was redefined as seven separate public universities each with a governing board. While the Higher Education Coordinating Commission (HECC) provides statewide coordination of the public universities, the separate governing boards have the authority to manage their respective institutions, including setting tuition and hiring the university president. The Legislature no longer approves university budgets or limits their expenditures from tuition and other sources.

### CSL Summary and Issues

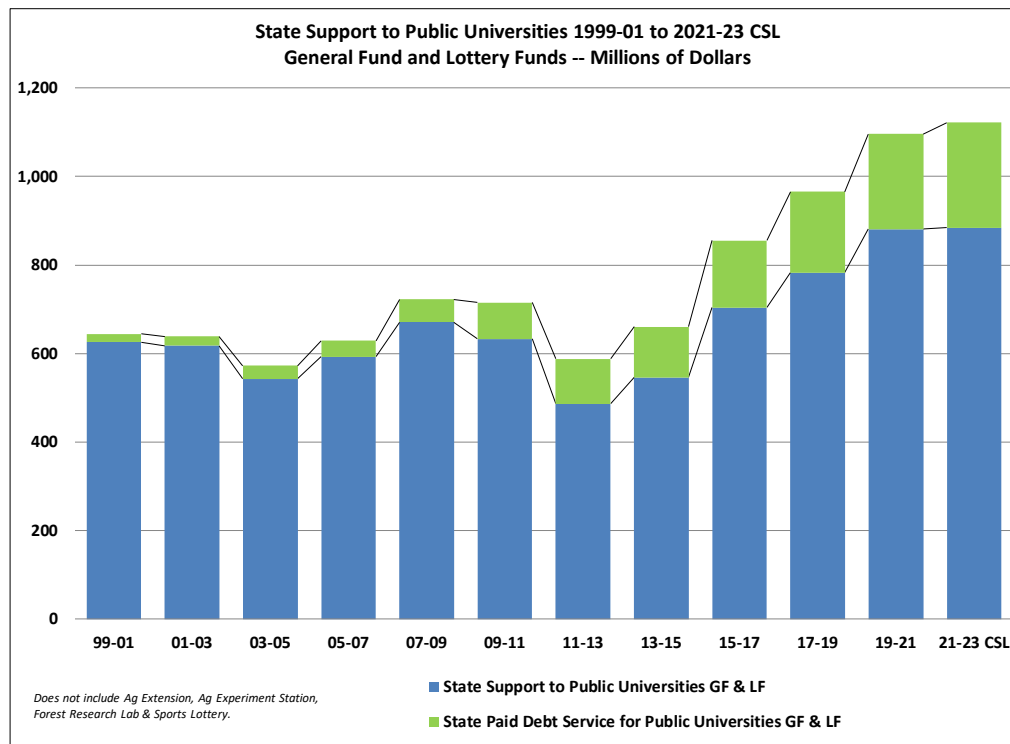
#### **Public University Support Fund – \$886,086,661 General Fund**

The Public University Support Fund (PUSF) includes the state funding for instruction, research, and operations of the seven public universities and represents the largest share of state support for public universities. HECC allocates the PUSF to the public universities using the Student Success and Completion Model (SSCM). The SSCM distribution formula considers multiple factors, including enrollment and academic outcomes, such as resident degree and certificate completions. Prior to 2015-16 academic year, the PUSF had been allocated using the Resource Allocation Model (RAM), which was primarily based on enrollment.

The 2021-23 current service level (CSL) budget of \$886.1 million for the PUSF is \$49.2 million (or 5.9%) more than the 2019-21 legislatively approved budget (LAB) of \$836.9 million. Historically, funding for public university education and program support was part of the OUS budget and CSL was calculated much like other state agencies. However, the change in status to separate non-state agency entities also

changed the budgeting for public university support. Beginning in the 2015-17 biennium, state support for public universities was (and continues to be) budgeted in HECC as special payments, which receive the standard inflation factor for non-state employee personnel costs (contract providers) in the CSL budget calculation (5.7% in 2021-23). In addition to the standard inflation rate provided for contract providers, the PUSF also received an additional 0.2% increase, for total 2021-23 inflation of 5.9%, based on a CSL calculation methodology approved by the Legislature in 2017 that better reflects actual increases in health and retirement benefits for university employees.

During the 2016 legislative session, a budget note was adopted directing the Legislative Fiscal Office and the Department of Administrative Services to estimate what the 2017-19 CSL cost for the PUSF, Agricultural Experiment Station, Extension Service, Forest Research Laboratory, and public university state programs would be if the state used the same model that has been used for calculating CSL for the Community College Support Fund (CCSF). This was done to ensure consistency in post-secondary state support CSL calculations. The CCSF model applies more accurate growth rates to actual educational and general expenditures, including retirement costs, health benefits, pension obligation bonds, other personal services, and services and supplies costs. CSL for public university support was calculated using the CCSF model beginning with the 2017-19 budget. CSL adjustments apply only on the state’s share of the public university revenues and not on those shares that are supported by tuition, federal grants and other sources of revenue.



### **Public University State Programs - \$45,086,787 General Fund**

Public University State Programs includes General Fund support for a variety of institutions, centers, and programs operated by public universities that address economic development, natural resource, and other public policy issues, rather than primarily providing instructional support for institutions and students. Many of these programs have an industry-specific focus, and match state support with funds from the private sector and other sources.

The 2021-23 CSL budget of \$45.1 million for state programs is \$459,271 (or 1%) more than the 2019-21 LAB of \$44.6 million. One-time investments added in the 2019-21 LAB for OIT's OMIC R&D Rapid Toolmaking Center of Excellence Research (\$427,500) and Additive Manufacturing and Rapid Prototyping Education Lab (\$285,000) projects; UO's Oregon Institute of Marine Biology Research Vessel (\$500,000); and match for OSU's PacWave South wave energy test site (\$1.5 million) are phased-out. Funding approved in 2019 (HB 2437) for OSU to perform a study of the benefits and impacts of maintenance activities in traditionally maintained channels is included in the 2021-23 CSL. Continuing public university state program funding was increased by an inflation rate of 5.9%, based on the CSL calculation methodology described in the PUSF section above.

During the August 2020 special session 5% reductions were made to most programs in this budget area totaling \$824,482 General Fund as part of SB 5723. The budget report for SB 5723 stated that these reductions were to be permanent. In the Governor's budget, there is a 2021-23 reduction of \$764,001 General Fund associated with these reductions. Further review of the impact on the 2021-23 budget of these reductions will need to take place.

### **Statewide Public Services - \$151,918,545 General Fund / \$48,793,000 Lottery Funds**

OSU, as the state's land grant college, operates three Statewide Public Service Programs, which each receive separate General Fund appropriations:

- The **Agricultural Experiment Station** (\$80.5 million) conducts research in the agricultural, biological, social, and environmental sciences at a central station in Corvallis and at branch stations across the state.
- The **Extension Service** (\$59.3 million) is the educational outreach arm of OSU as Oregon's Land, Sea, Sun, and Space Grant-university connecting communities with research-based knowledge.
- The **Forest Research Laboratory** (\$12.1 million) conducts research into forest management, ecosystems, and renewable materials.

The Extension Service 2021-23 CSL budget also includes \$48.8 million Lottery Funds for the Outdoor School Program available through the passage of Ballot Measure 99 in 2016.

The 2021-23 CSL budget of \$151.9 million General Fund for statewide public services is \$11.9 million (or 8.5%) more than the 2019-21 LAB of \$140 million. General Fund support for the Statewide Public Services Programs was increased by an inflation rate of 5.9%, based on the CSL

calculation methodology described in the PUSF section above, after the removal of one-time funding in the Agricultural Experiment Station for a berry research position at the North Willamette Research and Extension Center. The 2021-23 CSL budget of \$48.8 million Lottery Funds for Outdoor School is \$5.8 million (or 13.4%) more than the 2019-21 LAB of \$43 million and based on available lottery revenues in the June 2020 forecast. The larger percentage increase in the Outdoor School funding between the two biennia partially due to reductions made to the program totaling \$3.8 million for 2019-21. Measure 99 dedicated 4% of net lottery proceeds, up to a maximum of \$22 million annually (adjusted for inflation), to the Outdoor School Education Fund beginning July 1, 2017.

During the August 2020 special session, a total of \$3.6 million General Fund was reduced from the three statewide programs representing a 2.5% reduction -- \$1.9 million for the Experiment Station, \$1.4 million for the Extension Service and \$0.3 million for the Forest Research Lab. There is a \$2.0 million General Fund reduction in the Governor's budget associated with these reductions. Further review of the impact on the 2021-23 budget of these reductions will need to take place.

### **Sports Lottery - \$13,532,000 Lottery Funds**

The 2021-23 CSL budget for Sports Lottery is \$13.5 million, which reflects the 1% of net lottery proceeds statutorily dedicated for public university sports programs and scholarships, based on the June 2020 revenue forecast. This is a \$567,809 (or 4%) decrease from the 2019-21 LAB of \$14.1 million due to the decline in projected lottery resources available for the biennium. Sports Lottery funding approved for 2019-21 represented an increase over the \$8.24 million approved in the prior two biennia. The Legislature allocated the increase to the four technical and regional public universities (EOU, OIT, SOU, WOU), bringing their 2019-21 allocations to \$2.4 million each. Amounts distributed to remaining universities were continued at the level approved in the prior two biennia, with OSU and UO receiving \$1 million and PSU receiving \$2.3 million.

### **Public University Debt Service – \$200,448,435 General Fund / \$36,940,110 Lottery Funds**

The 2021-23 CSL budget includes \$237.4 million General Fund and Lottery Funds debt service on outstanding bonds issued for public university capital construction projects. General Fund supports debt service on Article XI-G and Article XI-Q general obligation bonds, as well as a portion of the repayment of Small Scale Local Energy Loans financed through the issuance of Article XI-J general obligation bonds. Lottery Funds support debt service on Lottery Revenue Bonds. State-supported debt service is a \$22.2 million (or 10.3%) increase from \$215.2 million in 2019-21 and represents a 32.8% increase from actual debt service of \$178.8 million in 2017-19. In the 2019 regular session and the 2020 second special session, the Legislature approved a combined \$256.7 million of university capital projects that will be financed through the issuance of General Fund and Lottery Funds supported bonds. With the exception of \$6.5 million that was issued in fall 2019, these bonds will be sold in spring 2021 and repayment will begin in the 2021-23 biennium. Due to the timing of CSL development, \$26.3 million of estimated debt service on the \$179 million of projects authorized in the 2020 Second Special Session is not reflected in CSL but will need to be included in the 2021-23 adopted budget. The CSL budget also includes \$4.1 million Other Funds limitation for interest earnings and excess proceeds that may be applied to debt service payments on state-supported bonds, as well as \$162.3 million Other Funds nonlimited expenditure limitation for debt service on Article XI-F (1) general obligation bonds that is repaid with university revenues.



## Policy Issues

Starting in the summer of 2019, an advisory group on the Student Success and Completion Model (SSCM) was established meeting 14 times to review and formulate recommendations to improve the SSCM. The SSCM has been phased in over five years and is now fully implemented. The charge to the group included simplifying the formula and evaluating the effectiveness of the data elements in the formula. The SSCM is a model which incorporates three major components: (1) **mission differentiation** which is based on historical funding which recognizes the role of each public university including research and regional access; (2) **activity-based** funding which is based on student credit hour completions (weighted based on cost) of undergraduate and graduate students; and (3) **outcomes-based** funding based on the degree and certificate completion by Oregon resident students with emphasis placed on completion of underrepresented students and those in academic disciplines in high demand and high reward fields (e.g., STEM). The funding share for the mission differentiation is taken off the top of the total funds available and represents roughly 17% of the total amount available. Activity-based funding represents 40% of the remainder while the outcomes-based funding represents 60% of the remainder. Several issues were identified and discussed by both the advisory group and Commission members. As always when changing funding formulas, there are winners and losers with the new formula. A “stop-loss” provision will assist in blunting any major changes and HECC is still tweaking its recommendations and decisions on other issues.

The public universities often reference the difference between “true current service level” and the current service level budget generated through the state’s budget development process. Current service level is defined as the estimated cost of continuing legislatively approved programs in the upcoming biennium and is calculated statewide by applying standard inflation factors to categories of expenditures. CSL budget for public university support is generated by applying the standard inflation rate for special payments, as well as additional exceptional inflation utilizing the CCSF CSL methodology that better reflects actual personnel costs, to direct General Fund appropriations. The alternate CSL calculated by the public universities includes expected inflation above the rate used in budget development, cost increases for the entire university budget, not just the state share, and provides a level of funding that maintains or increases the state percentage of total higher education costs. Since the universities have become separate non-state agency entities, the state doesn’t have the same level of visibility into total costs or the ability to limit costs in the same manner as a state agency budget. However, nearly 80% of university education and general expenditures are for personnel (salaries and benefits); therefore, retirement costs, including PERS, and health benefits are both significant cost drivers for university expenditures. The universities report that the state share of total education and general costs was approximately 23% for the 2017-19 biennium.

HECC has utilized a scoring methodology to prioritize public university capital requests since the 2015-17 biennium. However, HECC engaged a contractor to complete a Strategic Capital Development Plan that will provide a summary of the state’s public university needs over the next decade. The plan’s recommendations included: (1) investing in capital improvement and replacement; (2) incentivize shared or online programming to reduce demand for space; (3) improve and enhance planning practices; and (4) define institutional role and mission. This plan is to inform future capital recommendations and was approved by the Legislature during the August 2020 special session.

## Pandemic

Between March and through the fall term, the seven public universities have reported additional costs of \$57.8 million due to the pandemic from student refunds (\$34.1 million), remote instruction, technology and student support costs (\$6.2 million), cleaning, testing and PPE (\$4.7 million, and personnel and other costs (\$12.6 million). They anticipate that costs will increase another \$22.8 million during the winter and spring quarters. Decreased revenues are estimated to be \$327.1 million total with \$253.2 million relating to auxiliary sources like housing, dining, retail and athletics.

Enrollment declines have not been near the levels that were projected earlier last year. Fall 4th week enrollment was down 3.9% in full-time equivalent students from the 2019 enrollment. This compares to enrollment declines for community colleges of roughly 20% for the same period. The decline is greater for out-of-state students than in-state students, and incoming freshman enrollment was significantly down for some of the public universities.

Public universities have received funding directly from the U.S. Department of Education from the CARES Act last spring and through the Coronavirus Response and Relief Supplemental Act (CRRSA) passed in December. The CARES Act provided \$59.0 million with half of it dedicated to providing emergency financial assistance to students. It is estimated that another \$100 million will be distributed to public universities from the CRRSA. A share of that will also have to be distributed as emergency financial assistance to students. The direct COVID-19 related financial aid received by the public universities should go far in covering the direct costs due to the pandemic but not in covering the estimated lost revenues.

Funding of \$7.4 million in FEMA reimbursement matched by Coronavirus Relief Funds (CRF) was made available to UO and OSU to support one-time laboratory capacity costs to meet projected COVID-19 testing needs. Originally, much of this funding was for equipment, supplies and staffing at UO, but reduce estimated spending for this equipment and lower construction costs freed up nearly \$2.1 million for repurposing. Much of this available funding will be used to purchase mobile testing capacity to be operated by OHSU and OHA.

## Other Significant Issues and Background

State support for public universities has continued to grow since significant decreases in the 2011-13 biennium (see chart above). While funding has returned to pre-recession levels, tuition and fees still support the majority of total higher education costs. Universities also continue to rely on non-resident tuition as an important source of revenue. Out-of-state student enrollment have stabilized since 2016 but has increased nearly 90% since 2007. In comparison, the number of resident students has decreased since 2011, and only increased 5% during the last decade. 2020 Fall enrollment dropped for both resident and non-residents in large part due to the pandemic; and for at least one public university, due to the wildfire (SOU).

The Governor's 2021-23 budget includes the following:

- Maintains the Public University Support Fund (PUSF) at the same level as the amount available for 2019-21. This is \$49.2 million General Fund or 5.6% less than the CSL.
- Public University State Programs are also funded at 2019-21 levels with an additional \$2.8 million General Fund included for the Veterinary Diagnostic Lab which had been part of the PUSF in previous biennia.
- The Statewide Public Services' -- Agricultural Experiment Station, OSU Extension Service and the Forest Research Lab -- existing programs are also funded at the 2019-21 levels. Similar to the State Programs, there is a transfer from the PUSF of the funding for OSU laboratory building maintenance of \$4.1 million.
- Sports Action Lottery is budgeted at \$15.1 million, a \$1.6 million or 11.8% increase over CSL. The Governor's budget is based on more recent revenue forecast than the CSL.
- Debt Service for public university related projects total \$226.8 million General Fund and \$37.0 million Lottery Funds. This includes the \$26.3 million General Fund for the 2021-23 debt service on the \$179 million of projects authorized during the August 2020 special session. Due to timing of the decision to go forward with these projects they are not included in the 2021-23 CSL. The Governor's 2021-23 General Fund budget for debt service is \$45.3 million General Fund or 25.0% more than the 2019-21 Legislatively approved budget.

The public universities submitted 14 capital construction project requests totaling \$513.2 million financed through the issuance of Article XI-G and Article XI-Q general obligation bonds. HECC evaluated and prioritized the projects using a capital rubric that assigns points to projects based on multiple factors, including investments that align with the Strategic Capital Development Plan, provide operational savings and sustainability, and leverage non-state resources. Capital improvement and renewal funding (\$80 million) continues to be the universities' collective priority. During development of the agency request budget, HECC also recommended that the seven university capital projects approved by the Joint Committee on Ways and Means in the February 2020 session that were not ultimately passed would be prioritized and resubmitted for legislative consideration. The Legislature approved four of the seven projects during the 2020 Second Special Session. Therefore, in addition to the 14 new projects, HECC also recommended the three remaining projects totaling \$34.2 million Article XI-G and XI-Q bonds and \$3.5 million General Fund. In addition to the requests for General Fund/Lottery Funds supported bonds, universities also requested \$93 million in Article XI-F (1) bond authority for three projects. University revenues will be used for Article XI-F (1) debt service payments.

The Governor's 2021-23 Budget included six public university capital projects totaling \$309.4 million financed through Article XI-G and XI-Q general obligation bond proceeds. While the Governor's Budget intended to include the OSU Cascades Student Success Center (\$13.8 million), funding was inadvertently included instead for the second phase of the OSU Cascades remediation and campus infrastructure (\$16.7 million).

## Higher Education Coordinating Commission -- State Support for Oregon Health Science University

	2017-19 Actual	2019-21 Legislatively Adopted	2019-21 Legislatively Approved *	2021-23 Current Service Level	2021-23 Governor's Budget
General Fund	98,893,353	102,977,683	102,639,221	104,049,728	102,731,783
Other Funds	38,542,156	30,919,866	30,920,287	30,869,380	30,869,380
Other Funds (NL)	--	7,298,890	6,234,016	2,636,930	2,636,930
<b>Total Funds</b>	<b>137,435,509</b>	<b>141,196,439</b>	<b>139,793,524</b>	<b>137,556,038</b>	<b>136,238,093</b>

\* Includes Emergency Board and administrative actions through January 2021.

### Program Description

The Oregon Health and Science University (OHSU) is Oregon's only public academic health center. OHSU's mission includes education, research, clinical care, and public service. OHSU provides services across the state through its full service and trauma center hospital, clinics, research centers, community outreach programs, and health care professional training programs. In addition to its primary site in Portland, OHSU has clinical facilities throughout the Portland metropolitan area, the Oregon National Primate Research Center, and teaching programs in various locations throughout the state. OHSU has operated as a public corporation since 1995 and is governed by a Board of Directors appointed by the Governor and confirmed by the Senate. The Legislature no longer approves the OHSU budget (or limits its expenditures from tuition and other sources), but continues to provide direct support for specific purposes, including the Schools of Medicine, Dentistry, and Nursing, Office of Rural Health and Area Health Education Centers (AHEC), Child Development and Rehabilitation Center (CDRC), and the Oregon Poison Center. Direct state funding makes up a small percentage of OHSU's total revenues (less than 2% of OHSU's \$3.3 billion revenues in fiscal year 2019). OHSU's largest revenue source is patient service revenues, which includes indirect state resources through the Oregon Health Plan, state employee health services and other health related programs.

State support for OHSU also includes debt service on outstanding general obligation bonds issued for the benefit of OHSU. General Fund supports debt service on Article XI-G general obligation bonds issued to finance the expansion of the OHSU Knight Cancer Institute. Tobacco Master Settlement Agreement Funds support debt service on Article XI-L Oregon Opportunity Bonds that were issued to enhance OHSU's research programs in genetics and biotechnology. OHSU revenues support legacy Article XI-F (1) general obligation bonds issued when OHSU was part of the Department of Higher Education.

### CSL Summary and Issues

OHSU's 2021-23 current service level (CSL) budget of \$104.0 million General Fund is \$1.4 million or 1.4% more than the 2019-21 legislatively approved budget (LAB) of \$102.6 million. Program funding is increased by the standard inflation rate of 4.3% and debt service is adjusted for scheduled payments during the biennium.

The 2021-23 CSL budget detail for OHSU programs is provided below.

<b>OHSU 2021-23 Current Service Level Budget Detail</b>		
	<b>General Fund</b>	<b>Other Funds</b>
School of Medicine	\$ 28,024,863	\$ -
School of Nursing	24,236,644	-
School of Dentistry	11,358,318	-
Office of Rural Health/Area Health Education Centers	4,965,557	-
Child Development and Rehabilitation Center	9,010,678	-
Oregon Poison Center	2,883,418	-
<b>Total Programs</b>	<b>\$ 80,479,478</b>	<b>\$ -</b>
OHSU Knight Cancer Institute - XI-G Debt Service	\$ 23,570,250	\$ -
Oregon Opportunity Program - XI-L Debt Service	-	30,869,380
Legacy Debt - XI-F (1) Debt Service -- Nonlimited	-	2,636,930
<b>Total Debt Service</b>	<b>\$ 23,570,250</b>	<b>\$ 33,506,310</b>
<b>Total OHSU 2021-23 CSL</b>	<b>\$ 104,049,728</b>	<b>\$ 33,506,310</b>

### Policy Issues

- The 2019 Legislature included \$2.0 million General Fund for the Oregon Child Integrated Dataset (OCID) whose purpose is to support policymakers and community leaders as they work to improve outcomes for the State’s children and families. OCID gathers data from the Oregon Department of Education, Department of Human Services, Oregon Youth Authority and Oregon Health Authority to provide a cross-program database spanning a number of years. Funding is also received from private sources. This funding originally was to be one-time for 2019-21 only. There was a \$100,000 General Fund reduction to the State’s contribution to the project during the August 2020 special session. The Governor’s 2021-23 budget does include another \$2.0 million General Fund for OCID.
- Another reduction made during the August 2020 special session was a \$238,042 General Fund reduction to the Rural Health programs which was to be permanent. The Governor’s 2021-23 budget did include a reduction related to this, but the amount will need to be reviewed during the 2021 Session.

### Pandemic Related

OHSU did receive approximately \$1.0 million in CARES Act directly through the Higher Education Relief Fund with half of that amount to be distributed for student emergency financial assistance. The recently passed Coronavirus Response and Relief Supplemental Act (CRRSA) will provide at least that amount again. OHSU also received significant funds as a health care provider and for testing.

### Other Significant Issues and Background

- General Fund support to OHSU provides a portion of funding for specific education and public service programs; therefore, OHSU's key performance measures (KPMs) primarily focus on outcomes within these mission areas. OHSU measures include the percentage of Oregon students admitted into programs, degrees awarded in fields with workforce shortages, professional licensure pass-rates, effectiveness of statewide programs, and improving access to health care in rural Oregon.
- OHSU partners with public universities and community colleges to provide access to health care programs on campuses across the state, including the College of Pharmacy with OSU, OHSU-PSU Joint School of Public Health, and Clinical Laboratory Science and Paramedic Education Programs with OIT. Through the Oregon Consortium for Nursing Education (OCNE), OHSU partners with 11 community colleges to provide Registered Nurse to Bachelor of Science degrees at the Portland campus and online.
- The 2021-23 Governor's Budget decreased state support to OHSU by \$1.3 million below CSL, eliminating inflation and reducing program funding to 2019-21 levels. A one-time investment of \$2.0 million to the OHSU Center for Evidence-based Policy for the Oregon Child Integrated Dataset (OCID) was also renewed. The Governor's budget also includes debt service on outstanding state bonds issued on the behalf of OHSU (\$23.6 million General Fund and \$30.9 million Other Funds in Tobacco Master Settlement Agreement resources).

## Higher Education Coordinating Commission -- Oregon Opportunity Grant

	2017-19 Actual	2019-21 Legislatively Adopted	2019-21 Legislatively Approved *	2021-23 Current Service Level	2021-23 Governor's Budget
General Fund	125,217,521	109,510,413	99,510,413	114,219,361	114,219,361
Lottery Funds	20,746,268	40,000,000	40,000,000	41,720,000	41,720,000
Other Funds	163,213	14,669,415	24,669,415	15,300,200	15,300,200
<b>Total Funds</b>	<b>146,127,002</b>	<b>164,179,828</b>	<b>164,179,828</b>	<b>171,239,561</b>	<b>171,239,561</b>

\* Includes Emergency Board and administrative actions through January 2021.

### Program Description

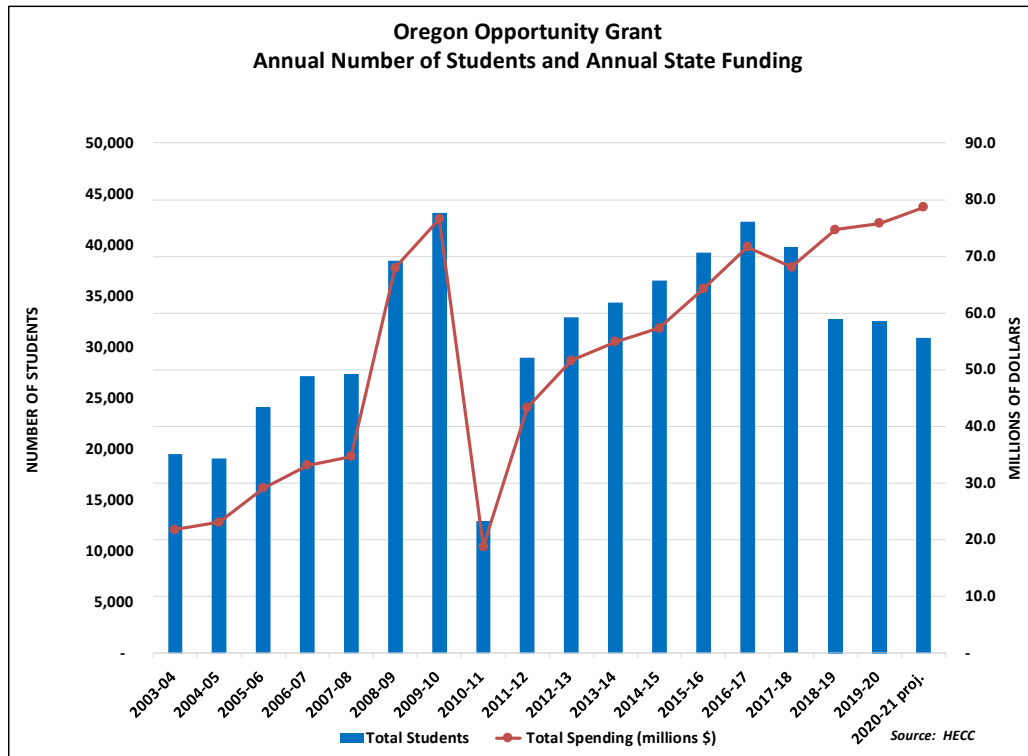
The Oregon Opportunity Grant (OOG) is the state's primary student financial aid program providing eligible Oregon students with grants to assist in financing education at community colleges, public universities, and private or independent institutions. The program had been administered by the former 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 awarded 32,523 grants at an average of approximately \$2,330 each during the 2019-20 school year. The distribution among the types of post-secondary institutions for 2019-20 was 50.5% of the total OOG recipients were community college students, 43.0% were public university students, and the remaining 6.5% were students at independent institutions. The number of grants for the 2019-20 academic year were down slightly from 2018-19 (32,523 compared to 32,794) and the average grant is up slightly (\$2,330 compared to \$2,277). In the past, OOG grant awards equal 10 to 12% of a student's cost of attendance.

### CSL Summary and Issues

- The total funds CSL for 2019-21 is based on the standard inflation rate. The Other Funds revenues for this program are: (1) proceeds from the sale of tax credits for this program; and (2) JOBS Plus related funds set aside for TANF recipients for education related purposes, but that remain unused.
- In the past, the OOG program received Lottery Funds based upon one-quarter of the investment 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 during the current biennium (2019-21).
- The amount of Lottery Funds assumed in the CSL is likely significantly too high. Interest or investment earnings on the Education Stability Fund (ESF) have fallen from the original amount assumed at the end of the 2019 session. The Office of Economic Analysis (OEA) had assumed \$40.0 million would be available for 2019-21, but by the December 2020 forecast that amount had fallen to roughly \$20.0

million. The amount was backfilled by the distribution of over \$20 million in earnings from the Oregon Growth Account which is distributed on an irregular basis. One can't assume that a Growth Account distribution will take place in 2021-23 or for what amount. In addition, \$400 million was transferred from the ESF during the August 2020 special session so the investment earnings will be less going forward. OEA is now forecasting only \$5.9 million in ESF earnings for 2021-23.

- The CSL does not reflect the shift in the funding mix approved during the August 2020 special session where \$10 million General Fund was replaced with Other Funds expenditure limitation in the same amount funded with available proceeds from the sale of tax credits.



### Policy Issues

- The agency has made a policy decision to try to link the grant amount to the average cost of attendance for the type of school. The grant's buying power has lagged over the years. Based on the estimate above, the average grant size is roughly the same amount as it was 10 years ago.
- 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 several changes to the OOG program in terms



of eligibility and timing of awards. This bill maintained the principles of the shared responsibility model; but provided 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 also changed the timing of the grant application and award deadlines so that grants are awarded in an extended window of time.

- The agency is proposing further changes to the program during the 2021 session.
- There remains an unmet need as HECC must limit the maximum grant amount and cap the number of grantees. Compared to other states, Oregon ranked 32nd in student grant dollars awarded per undergraduate student and 20th in need-based grant aid per undergraduate (2015-16 national study).
- Some states are moving to or are examining a model for post-secondary funding where the largest share of post-secondary funding is distributed to more specific student based in programs like OOG, while reducing the amount being distributed to the institutions directly and that is not tied to a specific student.

#### Other Significant Issues and Background

- As noted above, this program is becoming more dependent on the investment earnings of the Education Stability Fund. It might be beneficial to hold back some of the investment earnings to build up a working reserve to prevent funding swings even within a biennium, but that might be difficult with such low projected earnings for 2021-23.
- Before the end of the 2021 Session, HECC will need to release information on the availability of the program measured in planned number of grants and the amount of individual grants for the first grant period near the beginning of the 2021-23 biennium. This means that there will need to be a communication to HECC on what the funding level likely will be in March/April or HECC will risk the underfunding or overfunding of the program during the first academic year.
- The Governor's 2021-23 budget of \$171.2 million total funds for the OOG is the same as the CSL. As noted above, it is likely the revenue mix will have to change given the potential Education Stability Fund earnings.

## Higher Education Coordinating Commission -- Operations and Other Programs

	2017-19 Actual	2019-21 Legislatively Adopted	2019-21 Legislatively Approved *	2021-23 Current Service Level	2021-23 Governor's Budget
General Fund	23,016,492	39,587,633	38,064,384	51,408,483	79,500,920
Other Funds	23,532,021	36,668,063	52,246,808	33,574,080	41,465,646
Other Funds (NL)	1,098,569	206,000	206,000	206,000	415,812
Federal Funds	81,224,015	127,560,060	128,146,326	128,335,403	127,987,982
Federal Funds (NL)	2,286,341	19,689,647	19,689,647	20,536,302	20,536,302
<b>Total Funds</b>	<b>127,713,658</b>	<b>223,711,403</b>	<b>238,353,165</b>	<b>234,060,268</b>	<b>269,906,662</b>
Positions	125	148	144	147	139
FTE	112.78	137.37	134.91	138.07	131.19

\* Includes Emergency Board and administrative actions through January 2021.

### Program Description

This program unit includes all the staffing for the Higher Education Coordinating Commission (HECC) and all the program resources other than the funding going to or on the behalf of public universities, the Oregon Health and Sciences University, community colleges (including Oregon Promise), 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, Oregon Health and Sciences University and community colleges.

There are three primary areas in this program unit:

- **HECC Operations** (\$16.4 million GF/\$67.2 million TF, and 100 positions [94.82 FTE]in 2021-23 CSL) -- This area includes most of the agency staff including (1) agency leadership, general operations (e.g. financial services) and research, (2) staff responsible for directing and coordinating the public university system, (3) staff and operations of the Degree Authorization and Professional Career Schools programs, and (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.
- **Workforce Programs** (\$12.1 million GF, \$151.9 million TF, and 22 positions [22.00 FTE]) are the primary workforce programs administered by the State and the workforce related staff. The largest program is the federal Workforce Innovation and Opportunity Act with resources 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 an original \$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. The functions of the former Talent Council have been integrated into the HECC's workforce programs and staff as well as the former Volunteers program. Also, in this area is the Oregon Youth Conservation Corps program which 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** (\$9.9 million GF, \$27.3 million TF and 25 positions [21.25 FTE]) includes programs providing financial assistance for post-secondary students and the staff and programs of the Office of State Access and Completion (OSAC) not including the Oregon Opportunity Grant and the Oregon Promise program which are described elsewhere. It also includes staff and programs of the Office of State Access and Completion (OSAC). Most of the Other Funds expenditure limitation is related to the private scholarship programs administered by OSAC. The General Fund is for a child care grant program, the new National Guard Tuition Assistance program, Aspire grants and staff. 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 are one-time appropriations or expenditure limitations that are phased-out for the 2019-21 CSL. These include Lumina Foundation grants (\$475,000 OF) and bond issuance costs (\$2.2 million OF). Bond related issuance costs will be added for bonds authorized for 2021-23.
- A total of \$4.2 million General Fund is included for National Guard Tuition Assistance program started in 2018 which assists existing National Guard members with tuition costs while working on a Bachelor or Associate degree at an Oregon public university or community college. Further reductions were made in the August 2020 special session that are not reflected in this CSL estimate. The demand for this program will have to be reviewed during the 2021 Session.
- Significant General Fund resources offset Other and Federal Fund limitation due to over optimistic assumptions made during the 2019-21 budget development in the amount of Other and Federal resources that would be available to agency for funding many central and research/data functions. This relates to the funding mix issue that was identified for the 2019-21 biennium. These fund shifts will need to be carefully reviewed considering existing approved federal indirect rates and the impact on programs resourced with Other Funds.
- Several position-related and Service & Supply reductions were made during the August 2020 special session that are not reflected in the 2021-23 CSL.

#### Other Significant Issues and Background

- HECC continues to build its infrastructure including to continue efforts of the former component agencies. One major project is the replacement of the Financial Assistance Management Information System (FAMIS) 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 years; and for at least the third time, funding is requested in the Governor's 2021-23 budget for its development.
- The HECC has started new programs, some of which require more time to determine if participation in the program and funding is in line with estimates. Since these are relatively new programs, there will likely continue to be uncertainty in the long-term funding need. Other

factors including the economy factor into the demand for these programs. These include the Oregon Promise program as well as the National Guard Tuition Assistance program.

- The Governor’s 2021-23 budget includes:
  - \$10.0 million General Fund for health insurance for part-time faculty who teach at multiple institutions;
  - \$4.0 million General Fund for tuition equity for students from the Compact of Free Association or COFA;
  - \$5.0 million General Fund for grants to five organization (\$1 million each) to programs who assist students of color and student with low incomes in getting ready for college;
  - Two positions (\$540,831 General Fund) to increase efforts relating diversity, equity and inclusion (DEI) efforts at HECC and in post-secondary education.
  - \$867,805 General Fund and \$5.0 million in bond proceeds (Other Funds) for replacing the Financial Aid Management Information System or FAMIS.
  - \$5.1 million Other Funds for bond related issuance costs for bonds included in the Governor’s budget issued for the benefit of community colleges and public universities and for the FAMIS replacement;
  - \$550,534 General Fund for a “student transfer portal” for providing streamlined transfer pathways between community colleges and public universities; and
  - \$11.8 million General Fund to serve an estimated 1,500 youth receive eight weeks of work experience.

#### Key Performance Measures

A copy of the HECC Annual Performance Progress Report can be found on the LFO website.

[https://www.oregonlegislature.gov/lfo/APPR/APPR\\_HECC\\_2020-09-30.pdf](https://www.oregonlegislature.gov/lfo/APPR/APPR_HECC_2020-09-30.pdf)