

Higher Education Coordinating Commission

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governor's Budget
General Fund	2,154,941,838	2,491,512,552	2,678,621,371	2,739,901,406	2,490,039,798
Lottery Funds	141,833,001	122,327,240	139,873,506	125,929,646	486,222,079
Other Funds	382,077,715	656,127,668	812,248,458	102,230,822	433,514,146
Other Funds (NL)	954,505,018	154,855,686	154,855,689	194,847,720	194,847,720
Federal Funds	78,564,201	130,597,522	131,016,933	135,765,439	135,748,840
Federal Funds (NL)	8,960,970	20,536,302	24,544,456	24,544,455	24,544,455
Total Funds	3,720,882,743	3,575,956,970	3,941,160,413	3,323,219,488	3,764,917,038
Positions	144	152	180	157	171
FTE	134.86	143.36	160.87	148.94	163.33

* Includes Emergency Board and administrative actions through December 2022.

Agency Description

The Higher Education Coordinating Commission (HECC) budget includes state funding for: [1] Oregon's 17 community colleges; [2] Oregon's seven public universities; [3] Oregon Health and Science University (OHSU); [4] capital bonding authority for these institutions; [5] state financial aid and student access programs; [6] Oregon's nine workforce investment boards; and [7] workforce development and state service programs; as well as [8] HECC agency operations.

Established in 2011 and vested with its current authorities in 2013, HECC is the single state commission and agency with coordination and oversight responsibilities for all aspects of postsecondary education including private career and trade schools, as well as private and independent colleges and universities. The 15-member volunteer commission, appointed by the Governor and confirmed by the Senate, sets state policy and funding strategies, and convenes partners working across the public and private higher education arena to achieve state postsecondary goals in ensuring student success. The agency determines state funding allocations to public institutions, administers state financial aid and other access programs, approves new degree and certificate programs, licenses and authorizes private post-secondary institutions, collects and reports post-secondary data, and undertakes a variety of other responsibilities to evaluate, facilitate, and guide the success of higher education efforts from the point at which students consider their options for secondary education through the completion of their education and mastering of skills to gain the ability to contribute to the community and economy.

The HECC budget is funded through a combination of General Fund, Lottery Funds, Other Funds, and Federal Funds. Lottery Funds are used by the Oregon Student Access and Completion (OSAC) Division for the Oregon Opportunity Grant, and by Post-Secondary Finance and Capital for Extension Service, Sports Action Lottery, and Institution Debt Service. Federal Funds support Community Colleges and Workforce,

Workforce Investments, and Post-Secondary Finance and Capital programs. Major sources of Federal Fund revenues are the U.S. Department of Labor and U.S. Department of Education. Other Funds revenue supports Community Colleges and Workforce, Workforce Investments, Oregon Student Access and Completion, Academic Policy and Authorization, and Post-Secondary Finance and Capital programs. Major sources of Other Funds revenues come from donations, grants, taxes, fees, and transfers from other state agencies. Federal funding through the Coronavirus Aid, Relief, and Economic Security (CARES) Act for the Governor's Emergency Education Relief Fund (GEER) is reimbursable to HECC as an Other Funds transfer in from Oregon Department of Education. This funding supports the Oregon Youth Corps (OYC) Summer Programs, Open Educational Resources (OER), Reengagement and Retention Initiative, as well as Talent, Innovation, Equity ("TIE") Grant expansion.

General Issues and Background

Issues impacting the higher education budget environment include:

1. **One-time Funding** in the 2021-23 budget that was phased-out and are not included in the 2023-25 current service level budget include: \$12.2 million for the Strong Start program to continue enhanced summer bridge initiatives that focus on serving underrepresented students during a summer orientation with continuing wrap-around services provided throughout the academic year, \$19 million for Tribal Student Grant program to provide funding for eligible Oregon tribal students to offset the cost of attendance at eligible Oregon colleges and universities, \$5 million to support student access programs (ASPIRE, College Possible, Oregon TRIO, AVID, and Build EXITO), \$11 million for the Oregon Conservation Corps Fund established in SB 762 (2021) to reduce wildfire risks and expose young people to careers in wildland firefighting by providing grants to Oregon-based nonprofit youth development organizations that provide programs including job training, skill development, and forest-related or rangeland-related career paths.
2. **Leadership Transition** - Both public universities and community colleges are experiencing a shift in leadership. Oregon State University (OSU), University of Oregon (UO), Portland State University (PSU), Eastern Oregon University (EOU), Western Oregon University (WOU), Lane Community College (LCC), and Portland Community College (PCC) all have or will have new Presidents.
3. **Enrolment Contraction** - Overall, decline in enrollment is a continuing trend, especially for regional universities and community colleges. The steep drop in the nation's birthrate after 2008 will result in a decline in the number of traditional age college students by 2025. Oregon is projected to have a slight decrease in the number of high school graduates over the next 15 years. The number of high school graduates in states from which Oregon universities recruit out-of-state students are also projected to decrease substantially. Already, the national average is that seven out of ten high school graduates immediately go on to pursue postsecondary education, and the remaining three are difficult to recruit. Growing skepticism about the price and value of a college degree, intensified by the high cost of tuition and fees, coupled with rising wages across the economy will continue to lead potential students to go into the workforce rather than attend college. Institutions are implementing programs that encourage students who paused their college journey to return to campus, reaching out to adults and other non-traditional students. Yet, the consensus is that higher education can no longer depend on the traditional student pipeline to grow its way out of crisis.

4. **Cost Conundrum** - Despite the declining enrollment, an amalgamation of factors makes it challenging for institutions to quickly reimagine and restructure in response to emerging realities and create financial stability: Inflation is driving up operating costs. Federal stimulus and one-time investment are running out. The volatile stock market is eating into donations and endowment returns. Most of the labor force at universities and community colleges are unionized or tenured. Therefore, options to reduce expenses through personnel actions such as holding unfilled positions open, hiring freezes, pay cuts, furloughs, and layoffs can only be practiced to the extent not precluded by collective bargaining agreements. The systems, equipment, and facilities needed for higher education are costly to acquire, keep up-to-date, and maintain or decommission. Furthermore, closing the access, affordability, and completion gap is not just tied to tuition; students also need more integrated wraparound support, from academic pathways to mental/behavioral health services (including strategies to recover from pandemic learning loss and trauma), as well as basic needs such as food security, housing, transportation, and child care.
5. **Public Investment in Oregon Higher Education** - According to the 2021 State Higher Education Finance (SHEF) Report, from 2016-2021, public funding per full-time student equivalent (FTE) has increased by 39%. And yet the state funding per student of \$5,580 is still 37% below the national average of \$8,859. Oregon ranks 46th in the nation in public funding per student for the 4-year sector.
6. **Tuition and Fee Increases and Financial Aid Funding** - According to the 2021 State Higher Education Finance (SHEF) report, from 2011-2021, net tuition and fee revenue increased by 41% in Oregon compared to 17% nationally. The net tuition and fee revenue collected per student of \$8,636 in Oregon is 28% above the national average of \$6,723. This is consistent with other western states. Net tuition/fee revenue is 54% of total institutional revenue compared to 42% nationally. According to HECC data, for students who have applied for financial aid, 33% of community college students are unable to meet the cost of attendance and 57% of resident public university students are unable to meet the cost of attendance. This is after accounting for family contributions, financial aid and estimated student earnings from a job while in college. With 30-40% of students not applying for financial aid, this number might be higher than currently measured. State funding for financial aid per FTE is \$574 or 38% below the national average of \$921. With increasing dependence on tuition and fees, comes an increased dependence on growing enrollment as a primary means of bringing additional revenues.
7. **Joint Task Force on Student Success for Underrepresented Students in Higher Education** - The Task Force has placeholder bills to address its recommendations for increasing need-based financial aid for low-income students, expanding emergency and completion grants, expanding access to low-cost open educational resources, alleviating housing cost burden for students, expanding access to child care, increasing mentoring and advising opportunities for prospective students, examining the value of work-study opportunities, and reinforcing benefits navigator positions on campuses.

Higher Education Coordinating Commission - State Support for Community Colleges

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governor's Budget
General Fund	708,366,890	779,788,933	784,596,433	852,605,496	837,235,924
Lottery Funds	11,277,634	11,833,547	11,833,547	11,821,800	11,821,800
Other Funds	26,211,601	68,185,966	68,185,966	10,963,492	10,963,492
Total Funds	745,856,125	859,808,446	864,615,946	875,390,788	860,021,216

* Includes Emergency Board and administrative actions through December 2022.

Program Description

This program area represents state funds distributed to the 17 community colleges, including specific payments for programs that are located at or benefit community colleges and their students, such as Oregon Promise. The program area also includes debt service payments on state bonds issued for community college facilities and capital construction related to community college projects. Funding for HECC staff administering these programs are included in the HECC Operations part of the budget.

The primary sources of funding for community colleges are local property tax revenue, tuition revenue, and state funding. Other Funds include receipts from the state timber tax and are distributed through the Community College Support Fund. Local property taxes do not flow through the state budget but are a factor in the distribution of state funding to community colleges. Approximately \$449.4 million in total property tax collections is projected by the Legislative Revenue Office (May 2022 forecast) for community college operations in 2023-25, up from an estimated \$417.2 million in the 2021-23 biennium. In the last 15 years, community colleges have had to depend more on tuition and fees, as revenues from property taxes have remained relatively flat while state funding has struggled to keep up with rising costs.

The Community College Support Fund (CCSF) is the main vehicle for state support of Oregon's 17 community colleges' educational services and general operational costs. HECC distributes monies in the CCSF to the community colleges based on a distribution formula. The amount of state funds available for distribution to each community college in the CCSF is defined in two parts: targeted categorical set asides and formula funding. Categorical set asides are taken off the top before the distribution formula is calculated. Categorical set asides include funds to support four main programs:

1. Community college courses for adults in custody - a program that allows adults in custody to take community college courses. The state pays a portion of this cost.
2. Contracted Out-of-District - this program facilitates students from regions of Oregon that are not in a community college service district (such as Harney County) to take classes offered by a neighboring community college district. HECC reimburses the cost of coursework to the offering district.
3. Distance Learning - this program funds efforts to increase distance learning at all 17 community colleges.

4. Strategic Fund - this program provides a fund for community colleges to request allocations for implementation of innovative programs and approaches.

Targeted categorical set asides also include payments to the two Skills Centers in the Portland Metro area - the Sabin-Schellenberg Professional Technical Center in Milwaukie and the Margaret Carter Skills Center at Portland Community College, and funding to increase the number of underserved, low-income, and first-generation community college students as required by HB 3063 (2015). Categorical set asides represent about 1.3% of the total CCSF.

Under current practice, HECC distributes the remainder of the CCSF through a two-part formula. In part one, a base payment for each community college is calculated using a dollar value per full-time equivalent student (FTE) and the institution's number of weighted, reimbursable FTE enrollment. The base payment per FTE was \$973 in FY2022, with additional weighting for small community college districts. The total percent of the CCSF distribution determined by the base payment is approximately 5.7% of the total. Part two of the formula considers total public resources (TPR) which includes both state general funds and local property tax revenue to ensure equity; a three-year weighted average of enrollment to ensure stability; and growth management to prevent erosion of the level of funding per student and provide predictability. Approximately 93% of the CCSF is distributed through this portion of the formula. This budget area also includes the Oregon Promise (OP) program, administered through the HECC Office of Student Access and Completion (OSAC). Implemented in 2015, this program provides tuition assistance to recent Oregon high school and GED test graduates to attend community college. Below is the breakout for each budget area at the 2023-25 current service level:

State Support for Community Colleges				
2023-25 Current Service Level				
	General Fund	Lottery Funds	Other Funds	Total Funds
Community College Support Fund (CCSF)	755,329,366	-	151,126	755,480,492
Community College Services for Adults in Custody	2,463,268	-	10,812,366	13,275,634
Contracted Out-of-District (COD) Programs	276,000	-	-	276,000
Skills Centers	671,621	-	-	671,621
Distributed Learning	1,978,997	-	-	1,978,997
First Generation Students	3,377,025	-	-	3,377,025
Strategic Fund	4,382,336	-	-	4,382,336
Oregon Promise Program	44,252,681	-	-	44,252,681
Debt Service	39,874,202	11,821,800	-	51,696,002
Capital Construction	-	-	-	-
Total State Support for Community Colleges	852,605,496	11,821,800	10,963,492	875,390,788

CSL Summary

The 2023-25 total state support for community colleges current service level is \$875,390,788 total funds, which is \$10,774,842, or 1.3%, more than the 2021-23 legislatively approved level of \$864,615,946 total funds. The 2023-25 current service level for the CCSF is \$768,478,613 General Fund which is \$60,628,550, or 8.6%, more than the 2021-23 legislatively approved level of \$707,850,063 General Fund.

The CSL is not adjusted for the number of students which has been falling the past few years.

The current service level budget generated through the state's budget development process is 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. The current service level for the CCSF is calculated using a blended inflation rate. This blended rate is derived from the following factors: First, the community colleges submit actual allowable education and general expenditures for the most recent biennium for which they have the data. For the 2023-25 CSL, actuals from the 2019-21 biennium were used. Those expenditures are then divided into five expenditure categories and presented as a percentage of total cost. The categories are retirement (e.g., PERS), Health Benefits (PEBB and OEBB), Pension Obligation Bonds, Personal Services (salaries), and Services and Supplies (S&S). Once divided, estimated cost increases for each category are calculated using the following growth rates:

- Retirement (11.8% of budget) - Inflated by the most current projected 2023-25 growth rates available during the CSL process which come from the Milliman Actuary firm's memo to the Public Employee Retirement System (PERS) dated April 4, 2022. This factor is applied using the projected salary increases. For 2023-25, the rate is 14.4%.
- Health Benefits (10.6% of budget) - Inflated using the growth rate allowed for the Public Employee Benefits Board (PEBB). For 2023-25, the rate is 6.9%.
- Pension Obligation Bonds (5.6% of budget) - Inflated using the percentage growth in POB debt service payments charged to community colleges from Community College Financial Reports. For 2023-25, the rate is 8.8%.
- Salaries (60.2% of budget) - Inflated by the percentage allowed state agencies for professional services, which is higher than the standard S&S inflation rate. For 2023-25, the rate is 8.8%.
- Services and Supplies (11.8% of budget) - Inflated by the standard percentage allowed state agencies. For 2023-25, the rate is 4.2%.

Next, the growth rates are multiplied by the percentage of budget for each of the categories, then summarized to arrive at a blended inflationary rate. For 2023-25 budget development, this blended rate is 8.71%. The blended rate is multiplied by the 2021-23 Total Public Resources (TPR) less one-time investments to arrive at the 2023-25 total resources needed. TPR is the sum of state General Fund support, timber tax proceeds, and property tax revenues. Finally, forecasted timber and property tax for 2023-25 are subtracted from the 2023-25 total resources needed to arrive at the 2023-25 state CSL for the Community College Support Fund. One-time investments phased out include funding for Southwestern Oregon Community College new fire training tower (\$755,000 General Fund), the Linn-Benton Takena Hall elevator (\$577,500 General Fund), Treasure Valley Renewable Energy programs (\$2,500,000 General Fund), and Umpqua Community College land movement reparation (\$636,812 Other Funds).

The CSL used here is the state's CSL and not one for all costs for community colleges. This estimate assumes the cost increases attributed to the CCSF and the local revenue estimates used in the distribution of the CCSF. It does not include the increases attributed to that share of costs funded with student tuition/fees, federal grants, or other sources of revenues.

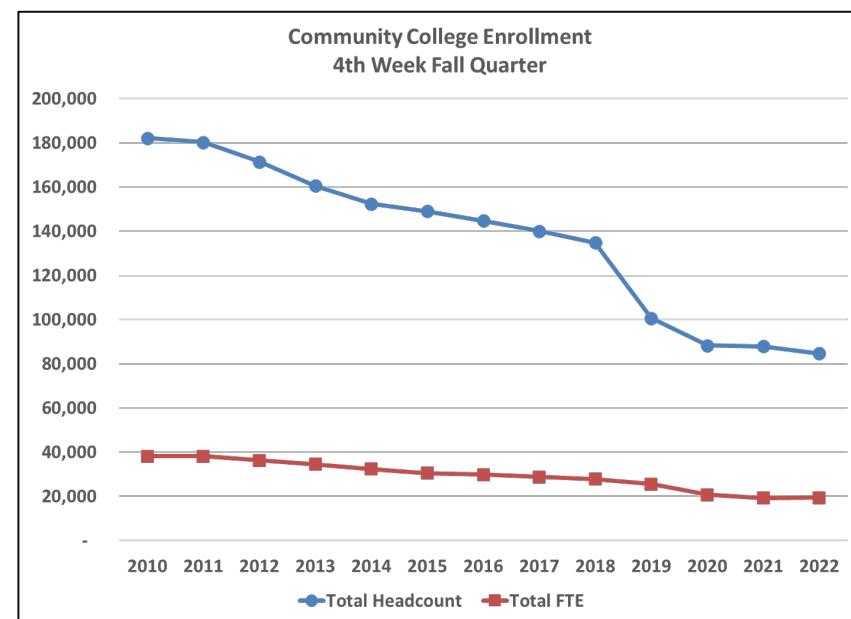
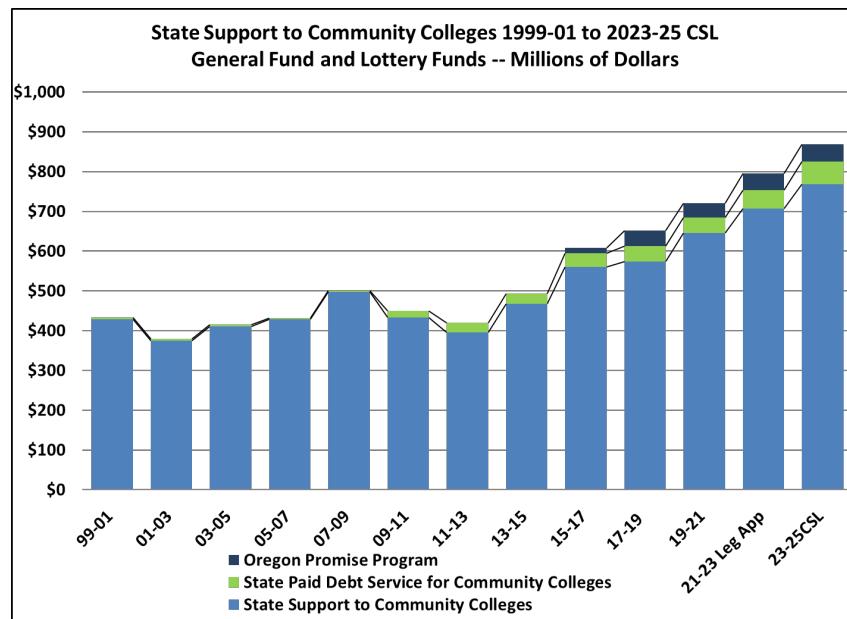
The CSL for the Oregon Promise program is based on the standard inflation rate which is 4.2%.

The state issues bonds (Article XI-G and Lottery) for projects at the various community colleges. Article XI-G bonds require a match equal 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 2023-25 CSL, the General Fund appropriation has grown to \$44,213,682. In addition to this General Fund amount there is another \$11,821,800 Lottery Funds for debt service on Lottery Bonds issued for the benefit of Community Colleges.

Issues and Background

1. *Community College Support Fund Formula Review Process*: Starting in Fall 2021, HECC established the CCSF Formula Review Workgroup to examine the existing CCSF formula to recommend changes. The final Workgroup report with staff recommendations for modification of the CCSF distribution formula was presented to the HECC Commission February 2023 meeting. Staff recommendations included: (1) keeping the 5% base payment and equalized enrollment components of the current formula; (2) replacing Growth Management Component with a biennial Stability Review Process; (3) adding a Student Support Component to provide additional funding for students from priority populations; (4) adding a Student Success Component to incentivize progress and completion; (5) implementing the changes over three biennia starting with 2023-25, reviewing for stability every biennium; and (6) reviewing the formula every five years. The next step is for HECC to propose rule amendments that operationalize the recommendations outlined in the report. It is expected HECC staff will bring the proposed, amended rules to the Commission during its upcoming June meeting. Opportunity for public comment will continue through the June HECC Commission meeting.
2. *Oregon Promise (OP)*: Established in 2015 to provide grants to recent high school and GED test graduates to attend community college, HECC continues to calibrate program requirements (GPA, minimum grant award, credit limit) to achieve the intended goal of making college more accessible and equitable. However, the latest data shows that college enrollment among recent high school graduates, college completion, and the number of terms enrolled as well as the number of credits earned, have not increased despite the start of the Oregon Promise program. Although most students receiving OP are from low-income backgrounds, most dollars go to students from middle/upper income backgrounds. This is because OP is a last-dollar grant program - meaning OP awards scholarship funds after all other federal and/or state student financial aid is considered, making OP less expensive to maintain. In addition, most students receiving OP still cannot pay for the cost of attendance, and those most likely to face unaffordable costs are also likely to get only the minimal grant.

3. *State Support in Relation to Declining Enrollment:* As illustrated in the two graphs below, 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 64.6% from \$466.95 million for 2013-15 to \$768.5 million for 2023-25 CSL. 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.



Governor's Budget Summary

The Governor's budget for total state support for community colleges is \$860,021,216 total funds which is \$4,594,730, or 0.53%, less than the 2021-23 legislatively approved budget of 864,615,946. The Governor's budget includes a \$15,369,572 General Fund reduction to the Community College Support Fund, which is below the calculated 2023-25 current service level. The Governor's budget does not include any new capital projects.

Higher Education Coordinating Commission - State Support for Public Universities

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governor's Budget
General Fund	1,201,993,253	1,342,124,421	1,422,478,230	1,470,596,790	1,351,182,637
Lottery Funds	90,885,152	98,218,977	98,218,977	101,317,592	188,195,087
Other Funds	269,587,522	455,445,925	490,476,345	3,957,430	212,157,430
Other Funds (NL)	948,264,406	152,018,158	152,018,160	191,199,890	191,199,890
Federal Funds (NL)	4,156,091	--	4,008,154	4,008,153	4,008,153
Total Funds	2,514,886,424	2,047,807,481	2,167,199,866	1,771,079,855	1,946,743,197

* Includes Emergency Board and administrative actions through December 2022.

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 and the Chancellor's Office, which had provided oversight of the universities when they were part of OUS, was eliminated. While the Higher Education Coordinating Commission 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 or any other non-state revenue sources.

CSL Summary

Historically, funding for public university education and program support was part of the Oregon University System budget and CSL was calculated much like other state agencies. The change to a more autonomous governance status also changed the budgeting for public university support. Beginning in the 2015-17 biennium, state support for public universities was 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. During the 2016 legislative session, a budget note was adopted directing the Legislative Fiscal Office and the Department of Administrative Services, in consultation with HECC and the seven public universities, to estimate what the 2017-19 CSL cost for the PUSF, Agricultural Experiment Station, Extension Service, Forest Research Laboratory, and public university state programs using the same model used for calculating CSL for the Community College Support Fund (CCSF). This was done to ensure consistency in post-secondary state support CSL calculations. Beginning with the 2017-19 budget, CSL for public university support is calculated using the CCSF model.

The 2023-25 budget development continues using the CCSF blended inflation rate model for public university support. This blended rate is derived from the following factors: First, the public universities submit actual allowable education and general expenditures for the most recent biennium for which they have the data. For the 2023-25 CSL, actuals from the 2019-21 biennium were used. Those expenditures are then divided into five expenditure categories and presented as a percentage of total cost. The categories are retirement (e.g., PERS), Health Benefits (PEBB and OEBB), Pension Obligation Bonds, Personal Services (salaries), and Operating Expenses. Once divided, estimated cost increases for each category are calculated using the following growth rates:

- Retirement (10.9% of budget) - Inflated by the most current projected 2023-25 growth rates available during the CSL process which come from the Milliman Actuary firm's memo to the Public Employee Retirement System (PERS) dated April 4, 2022. This factor is applied using the projected salary increases. For 2023-25, the rate is 9.9%.
- Health Benefits (11.1% of budget) - Inflated using the growth rate allowed for the Public Employee Benefits Board. For 2023-25, the rate is 6.9%.
- Pension Obligation Bonds (1.7% of budget) - Inflated using the percentage growth in POB debt service payments charged to public universities provided by the Department of Administrative Services Capital Finance. For 2023-25, the rate is 13.7%.
- Salaries (56.7% of budget) - Inflated by the percentage allowed state agencies for professional services, which is higher than the standard S&S inflation rate. For 2023-25, the rate is 8.8%.
- Operating Expenses (19.5% of budget) - Inflated by the standard percentage allowed state agencies. For 2023-25, the rate is 4.2%.

Finally, these growth rates are multiplied by the percentage of budget for each of the categories, then summarized to arrive at a blended inflationary rate for public universities. For the 2023-25 budget development, this blended rate is 7.9%. These CSL adjustments are applied only to 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. Below is the breakout for each budget area at the 2023-25 current service level:

State Support for Public Universities						
2023-25 Current Service Level						
	General Funds	Lottery Funds	Other Funds	Other Funds NL	Federal Funds NL	Total Funds
Public University Support Fund	972,047,213	-	-	-	-	972,047,213
Public University State Programs	52,456,809	-	-	-	-	52,456,809
Agricultural Experiment Station	87,143,268	-	-	-	-	87,143,268
Extension Service	68,417,650	51,494,315	-	-	-	119,911,965
Forest Research Laboratory	13,050,523	-	-	-	-	13,050,523
Sports Lottery	-	16,514,607	-	-	-	16,514,607
Debt Service	277,481,327	33,308,670	3,957,430	191,199,890	4,008,153	509,955,470
Capital Construction	-	-	-	-	-	-
Total State Support for Public Universities	1,470,596,790	101,317,592	3,957,430	191,199,890	4,008,153	1,771,079,855

Public University Support Fund – \$972,047,213 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). Prior to 2015-16 academic year, the PUSF had been allocated using the Resource Allocation Model (RAM), which was primarily based on enrollment. SSCM was approved in 2015 and reviewed during the 2019-21 biennium. 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 underrepresented students completion 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.

The 2023-25 current service level budget of \$972,047,213 General Fund for the PUSF is \$59,355,669, or 6.5%, more than the 2021-23 legislatively approved budget of \$912,691,544. The 2023-25 CLS includes the phase out of one-time spending, including ARPA funding for SOU Cascade Hall demolition (\$3.5 million) and EOU Grand Staircase (\$4 million), as well as General Fund funding to projects like OSU Innovation district landfill (\$10 million), and EOU visual and performing scholarships (\$1 million).

Statewide Public Services Programs- \$168,611,441 General Fund / \$51,494,315 Lottery Funds

Oregon State University, as the state's land grant college, operates three Statewide Public Service Programs (SWPS), each receiving separate General Fund appropriations:

- The **Agricultural Experiment Station** (\$87,143,268) 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** (\$68,417,650) is the educational outreach arm of OSU as Oregon's Land, Sea, Sun, and Space Grant-university connecting communities with research-based knowledge. The Extension Service 2021-23 CSL budget also includes \$51,494,315 Lottery Funds for the Outdoor School Program available through the passage of Ballot Measure 99 in 2016.
- The **Forest Research Laboratory** (\$13,050,523) conducts research into forest management, ecosystems, and renewable materials.

The 2021-23 CSL budget of \$168,611,441 General Fund for statewide public services is \$7,009,060, or 4.3%, more than the 2021-23 legislatively approved of \$161,602,381. General Fund support for the Statewide Public Services Programs was increased by an inflation rate of 7.9%, based on the CSL calculation methodology described above, after the removal of one-time funding. The 2021-23 CSL budget of \$51,494,315 Lottery Funds for Outdoor School is \$2,075,587, or 4.2%, more than the 2021-23 legislatively approved budget of \$49,418,728 and based on available lottery revenues in the June 2022 forecast. 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.

Public University State Programs - \$52,456,809 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. Below is the breakout of programs supported by this funding:

Public University State Programs	
	<u>General Fund</u>
Engineering Technology Sustaining Funds (various universities)	30,849,152
OSU with UO TallWood Design Institute	4,288,845
UO & PSU Dispute Resolution	2,775,834
Dispute Resolution Restoration	376,557
PSU Oregon Solutions	2,848,133
OSU Fermentation Science	1,563,951
UO, OSU, & PSU Signature Research Centers	1,312,851
UO Labor Education Research Center	1,254,779
OSU Marine Research Vessel Program	781,976
OIT Renewable Energy Center	602,602
PSU Population Research Center	549,218
OSU Institute of Natural Resources	503,531
UO Clinical Legal Education Program	439,153
OSU Climate Change Research Institute	394,693
PSU Willamette Falls Locks Commission/Authority	228,988
OSU Agricultural Channel Habitat Complexity Study	253,073
OSU Veterinary Diagnostic Laboratory	3,227,009
OSU PSU Environmental Justice Mapping Tool	206,464
Total 2023-25 Current Service Level	<u>52,456,809</u>

The 2021-23 CSL budget of \$52,456,809 for state programs is \$76,669,156, or 593.4%, less than the 2021-23 legislatively approved budget of \$44.6 million. This reflects an inflation rate of 7.9%, based on the CSL calculation methodology described above. The reduction is caused by the phase out of one-time investments made in 2021-23, including the \$21 million for PSU Center for Career Development in Childcare, \$16.5 million for the WOU steam line replacement, \$12.2 million for Strong Start, \$10 million for UO Knight Campus equipment, \$6.5 million for the OSU Hatfield housing project in Newport to support the university's marine studies initiatives, \$5.5 million for OIT Applied Computing and Clinical laboratories, \$4.5 million for the UO Oregon Hazards lab Wildfire Cameras, \$1.1 million for Wildfire Risk Mapping, and \$1 million for the PSU Center for Women's Leadership.

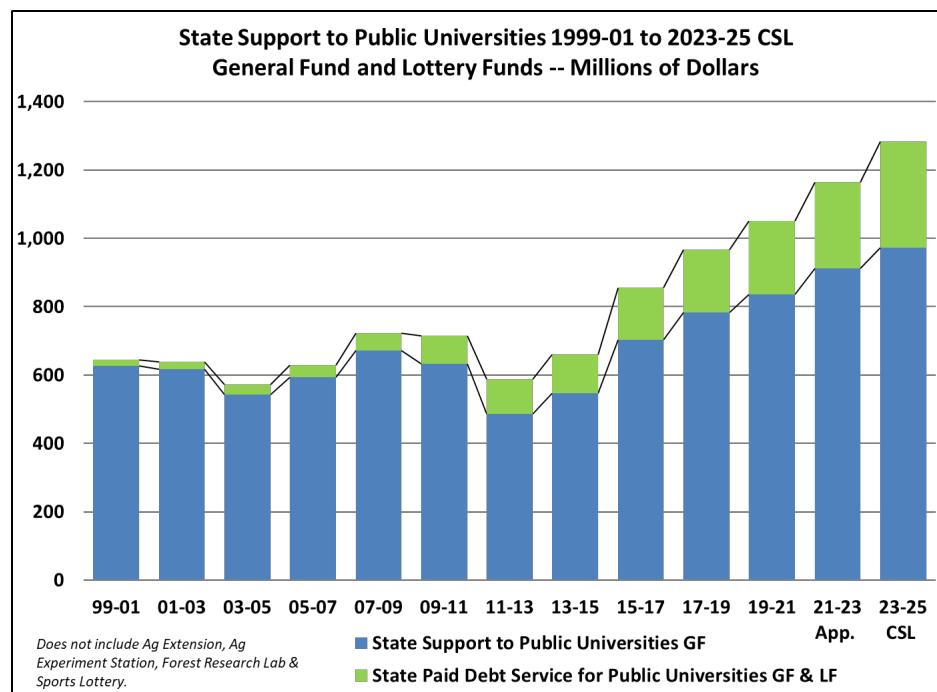
Sports Lottery - \$16,514,607 Lottery Funds

The 2023-25 CSL budget for Sports Lottery is \$16,514,607 and is the same as the 2021-23 legislatively approved budget. The Sports Lottery program began in 1989 when the Legislature authorized a special Sports Action game and directed that the proceeds from the game be used

to finance intercollegiate athletics and non-athletic scholarships. Because the National Collegiate Athletic Association (NCAA) prohibited states that sponsored gambling on athletic events to host NCAA championship tournaments, the 2005 Legislative Assembly abolished the Sports Action lottery game, which had previously been the revenue source for the program, and instead dedicated 1% of net lottery proceeds to the Sports Lottery Account. Statute directs that 88% of the amount allocated to the Sports Lottery Account, not to exceed \$8 million annually, be used to finance intercollegiate athletics at the public universities. The remaining 12%, not to exceed \$1.1 million annually, is awarded for graduate student scholarships based on academic merit and need. 70% of the athletic funds must be used for non-revenue producing sports, and at least 50% must be used for women's athletics. Due to budget constraints, the Legislature has often approved a fixed Lottery Funds allocation for Sports Lottery that is less than the dedicated 1% amount. Sports Lottery funding was limited to \$8.24 million in the 2015-17 and 2017-19 biennia.

Public University Debt Service – \$277,481,327 General Fund / \$33,308,670 Lottery Funds

The 2021-23 CSL budget includes \$277,481,327 General Fund and \$33,308,670 Lottery Funds debt service on outstanding bonds approved through the 2022 session including estimates for bonds to be issued in 2023 for public university capital construction projects. General Fund supports debt service on Article XI-G and Article XI-Q general obligation bonds. Lottery Funds support debt service on Lottery Revenue Bonds. State-supported debt service increased by \$59,446,015, or 23.7%, from the 2021-23 total of \$251,343,982. Below is a graphical display of state debt service payments for public universities in relation to the PUSF funding provided each biennium.



Issues and Background

In order to prioritize requests from public universities for capital projects involving state-back debt, HECC has instituted a scoring methodology to rank public university capital requests since the 2015-17 biennium. In addition, 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. Using this rubric, at the agency requested phase, HECC submitted 14 capital construction project requests totaling \$610.2 million in project costs to be financed through the issuance of 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.

Governor's Budget Summary

The Governor's budget for Public Universities is set at \$1,946,743,197 total funds which is \$220,456,669, or 10.17%, less than the 2021-23 legislatively approved level. The Governor's budget includes a \$38.9 million reduction to the Public University Support Fund, offset by a \$15 million in funding for the technical and regional public universities to fund operational support, which leaves the PUSF below current service level estimates.

The Governor's budget also shifted \$80,532,265 in the PUSF from General Fund to Lottery Funds resources from the Education Stability Fund (ESF). In order to access the ESF principal used in the Governor's budget, an emergency must be declared by the Governor and the expenditure must be approved by a three-fifths majority of each chamber.

The Governor's budget provides \$209,825,000 Other Funds for the Public Universities Capital Improvement and Renewal Fund for deferred maintenance, including \$1,625,000 for cost of bond issuance and \$8,200,000 for Portland State University Smith Memorial Union.

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

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governor's Budget
General Fund	102,639,216	106,049,728	152,549,728	153,567,507	152,554,609
Other Funds	30,920,225	30,869,380	31,564,551	7,328,750	7,328,750
Other Funds (NL)	6,234,005	2,631,528	2,631,529	3,441,830	3,441,830
Total Funds	139,793,446	139,550,636	186,745,808	164,338,087	163,325,189

* Includes Emergency Board and administrative actions through December 2022.

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. The Legislature separated OHSU from the Oregon University System in 1995 making it a public corporation so it would have greater operating felicity in competing in the health care industry. Since 1995, OHSU 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 \$4 billion revenues in fiscal year 2021). 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.

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.

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 Oregon University System.

CSL Summary

OHSU's 2023-25 current service level budget of \$153,567,507 General Fund is \$1,017,779, or 0.7%, more than the 2021-23 legislatively approved budget of \$152,549,728. Program funding is increased by an inflation rate of 7.9% after the phase out of one-time funding including \$1.5 million for the statewide behavioral health capacity database, \$5 million matching fund for the OHSU Opportunity Fund, and \$2 million General Fund for the Oregon Child Integrated Dataset (OCID). Debt service is adjusted for scheduled payments during the biennium. The 2023-25 CSL budget detail for OHSU programs is provided below.

OHSU 2023-25 Current Service Level Budget Detail

	General Funds	Other Funds	Other Funds NL	Total Funds
Programs				
School of Medicine	29,201,908			29,201,908
School of Nursing	25,254,583			25,254,583
School of Dentistry	11,835,367			11,835,367
Office of Rural Health/Area Health Education Centers	5,174,110			5,174,110
Child Development and Rehabilitation Center	9,389,126			9,389,126
Oregon Poison Center	3,004,522			3,004,522
Healthcare Workforce 30-30-30 Initiative	41,680,000			41,680,000
Total Programs	129,992,377			129,992,377
Debt Service				
Oregon Opportunity Program - XI-L Debt Service		7,328,750		7,328,750
OHSU Knight Cancer Institute - XI-G Debt Service	23,575,130			23,575,130
Legacy Debt - XI-F(1) and XI-G Debt Service			3,441,830	3,441,830
Total Debt Service	23,575,130	7,328,750	3,441,830	34,345,710
Total OHSU 2023-25 CSL	153,567,507	7,328,750	3,441,830	164,338,087

Issues and Background

- During the 2022 session, OHSU received \$45 million General Fund to support its 30x30 by 2030 plan; \$20 million annual ongoing education and general support; \$25 million one-time investment to be used as matching fund for the OHSU Opportunity Fund to provide tuition assistance and loan repayment to learners from underrepresented communities. The CSL includes the phase out of \$5 million.
- The 2022 Legislature also included \$2 million General Fund for the Oregon Child Integrated Dataset (OCID) the purpose of which is to support policymakers and community leaders as they work to improve outcomes for the Oregon'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 several years. Funding is also received from private sources. This funding originally was to be one-time for 2019-21 only but was continued through 2021-23. The CSL includes the phase out of this \$2 million.
- The Oregon Poison Center receives approximately 60% of its annual funding from the State's Children's Health Insurance Program (SCHIP), 27% from the state General Fund, and 13% from federal grants, and contracts from other agencies and states. In the last 4 years, the Enhanced Federal Medical Assistance Percentage (eFMAP) used to determine SCHIP funding, has declined from 97.79% in FY19 to 72.22% in FY 23. This decline in SCHIP funding used to support the Poison Center has been offset by one-time funding from other federal sources such as the CARES Act. However, for the 2023-25 biennium, the Poison Center is projecting a \$900,00 shortfall in funding required to maintain its current level of service.
- 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.

Governor's Budget Summary

The Governor's budget of \$152,554,609 General Fund is \$4,881 more than the 2021-23 legislatively approved budget of \$152,549,728 General Fund. The Governor's budget includes a \$1,012,898 General Fund reduction from current service level budget.

Higher Education Coordinating Commission - Oregon Opportunity Grant

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governor's Budget
General Fund	99,657,416	166,425,084	148,878,818	173,414,938	--
Lottery Funds	39,670,215	12,274,716	29,820,982	12,790,254	286,205,192
Other Funds	14,814,721	21,300,200	21,300,200	22,194,808	22,194,808
Total Funds	154,142,352	200,000,000	200,000,000	208,400,000	308,400,000

* Includes Emergency Board and administrative actions through December 2022.

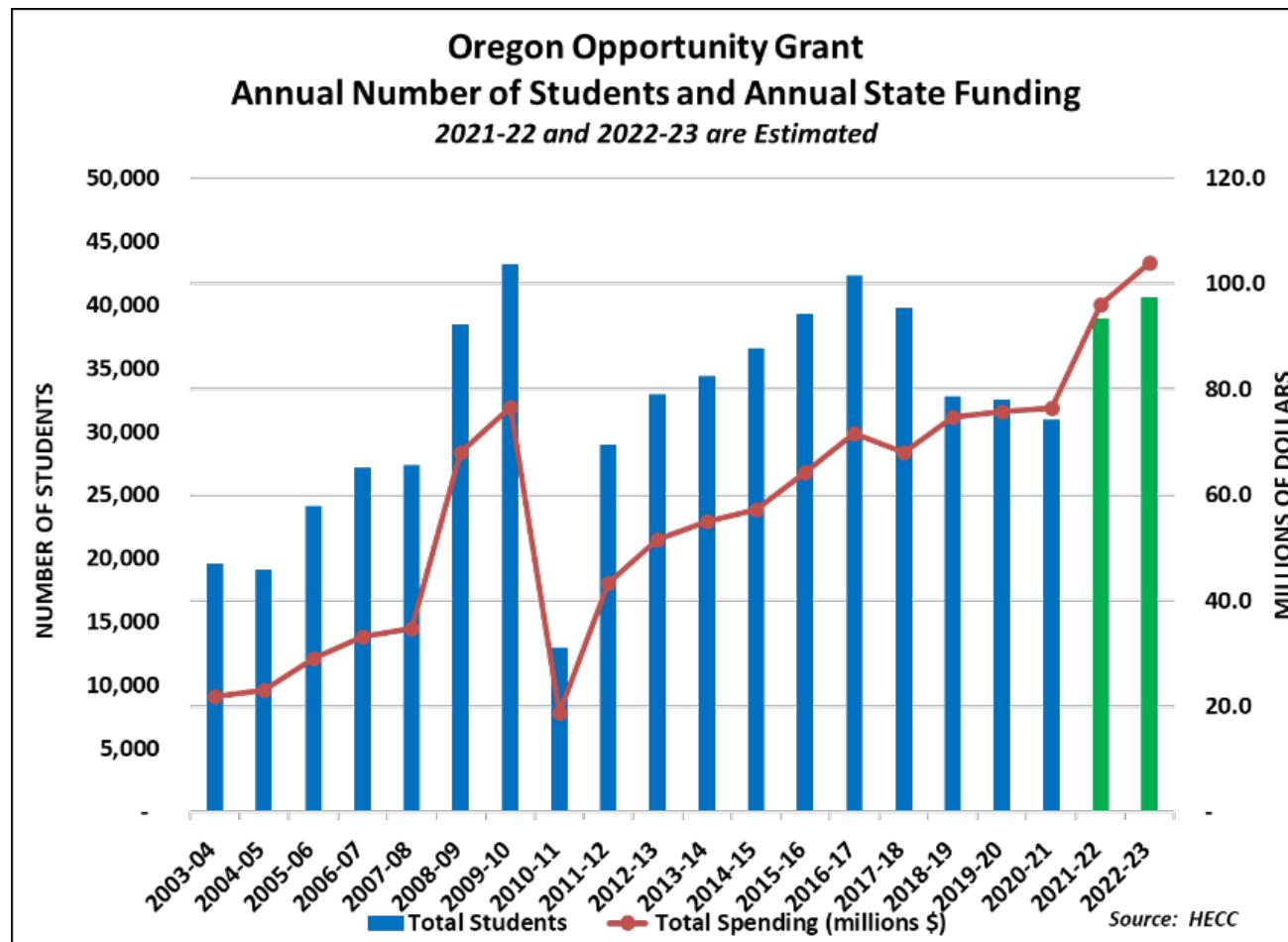
Program Description

Established in 1971, the Oregon Opportunity Grant (OOG) is the state's primary student financial aid program providing eligible Oregon undergraduate 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, which was merged into the Higher Education Coordinating Commission beginning in 2013-15. The OOG is now administered by HECC's Office of Student Access and Completion (OSAC).

From its inception, the program has undergone many changes in how it awards funds, the amount of funds awarded, and who is awarded funds. House Bill 2407 (2015) clarified prioritization of grant awards to qualified students with the greatest financial need if funds are not sufficient to serve all qualified students. Grant awards are available to eligible students attending Oregon colleges and universities for up to four years at full-time enrollment. Grants are available to eligible students for the equivalent of up to four years (12 quarters or 8 semesters) at full-time enrollment and are prorated for partial-year or half-time enrollment. Students must reapply each year by submitting a Free Application for Federal Student Aid (FAFSA) or an Oregon Student Aid Application (ORSAA). OSAC uses the federally calculated expected family contribution (EFC) to determine financial need and awards grants based on students' EFC, starting with EFC of \$0. OSAC determines eligibility by including students with increasing levels of EFC until funds are exhausted. Because available funds vary year to year, OSAC cannot specify the maximum EFC for eligibility far in advance nor the final deadline for submitting a FAFSA/ORSAA for receiving a grant. Even if students received the OOG in prior years and filed the FAFSA early, they may not receive a grant if their EFC is higher than the annual limit for the current academic year.

The EFC limit for the 2022-23 academic year is \$8,000, which is higher than the EFC limits for the 2021-22 (\$6,000) and 2020-21 (\$3,500) academic years. Expanded funding allowed the HECC to increase the size of the program and to offer it to more students with higher EFC. The 2022-23 EFC limit for OOG was higher than the EFC limit for the federal Pell grant (\$6,206). In 2022-23, annual award amounts range from \$2,352 to \$4,692 for students attending a public university or Oregon-based independent private non-profit institution and from \$1,500 to \$3,600 for students attending a community college.

In 2021-22, HECC awarded 38,907 grants at an average of approximately \$2,778 for students attending a community college and \$3,612, for students attending a public university or Oregon-based independent private non-profit institution. The distribution among the types of post-secondary institutions for 2021-22 was 42.4% of the total OOG recipients were community college students, 51.3% were public university students, and the remaining 6.2% were students at independent institutions. Because funding for the program expanded for the 2021-23 biennium, the number of grants for the 2021-22 academic year rose by 25%, from 2019-21 (38,907 compared to 31,219). In the past, OOG grant awards equal 10% to 12% of a student's cost of attendance. In general, OOG recipients are disproportionately from groups facing multiple equity barriers and who continue to face affordability challenges even after receiving the grant. The following chart shows the total annual spending, as well as the total number of students served. The numbers for the 2021-22 and 2022-23 academic years are projections:



CSL Summary

The 2023-25 current service level budget of \$208,400,000 total funds is \$8,400,000, or 4.2%, more than the 2021-23 legislatively approved budget of \$200,000,000. The Other Funds revenue sources include proceeds from the College Opportunity Grant Tax Credit program and JOBS Plus related funds set aside for TANF recipients for education related purposes. 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 mix 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 were paid off during the 2019-21 biennium, so now all earnings will be designated for the OOG. The revenue mix for the OOG will be adjusted after consideration of the tax credit auction and potential Education Stability Fund earnings.

Issues and Background

- Before the end of the 2023 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 2023-25 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.
- Although HECC has made a policy decision to try to link the grant amount to the average cost of attendance for the type of school, nearly three fourth of OOG recipients at universities and 61% of OOG recipients at community colleges cannot cover the expected cost of attendance with their expected resources. The agency is proposing further changes to the program during the 2023 session.
- SB 1528 (2018) established the College Opportunity Grant Tax Credit auction for contributions made to the OOG program. The program is authorized to issue up to \$14 million worth of tax credits per year. The first auction was in 2018 generating over \$14 million. During the 2019-21 biennium, \$25.6 million was raised through the auction, but \$14.8 million in expenditures was budgeted. During the 2021-23 biennium, nearly \$26.4 million was raised through the auction, and \$21.3 million in expenditures was budgeted. This program sunsets on January 1, 2024 and will be under consideration for renewal during the 2023 Legislative session.

Governor's Budget Summary

The Governor's budget is \$308,400,000 total funds which is \$100,000,000, or 48%, more than CSL. The Governor changed the funding mix for the program, removing General Fund resources and assumes \$286.2 million in Lottery Funds resources from the Education Stability Fund (ESF). Although 25% of the interest earnings from the ESF can be used by HECC for the Oregon Opportunity Grant, based on the March 2023 forecast, projected new lottery funds allocation available for OOG totals approximately \$48.3 million. In order to access the ESF principal used in the Governor's budget, an emergency must be declared by the Governor and the expenditure must be approved by a three-fifths majority of each chamber.

Higher Education Coordinating Commission - Operations and Other Programs

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governor's Budget
General Fund	42,285,063	97,124,386	170,118,162	89,716,675	149,066,628
Other Funds	40,543,647	80,326,197	200,721,396	57,786,342	180,869,666
Other Funds (NL)	6,607	206,000	206,000	206,000	206,000
Federal Funds	78,564,201	130,597,522	131,016,933	135,765,439	135,748,840
Federal Funds (NL)	4,804,879	20,536,302	20,536,302	20,536,302	20,536,302
Total Funds	166,204,397	328,790,407	522,598,793	304,010,758	486,427,436
Positions	144	152	180	157	171
FTE	134.86	143.36	160.87	148.94	163.33

* Includes Emergency Board and administrative actions through December 2022.

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** [\$53,484,930 General Fund/\$95,285,286 total funds, and 102 positions (96.94.82 FTE) in 2023-25 CSL] includes most of the agency staff and is comprised of these six offices:
 1. *Office of the Executive Director* - provides leadership and central executive functions, including legislative affairs; diversity, equity, and inclusion efforts; human resources; policy initiatives; and communications.
 2. *Office of Operations* - ensures compliance with state and federal requirements and includes four units: (1) Budget which provides program and administrative budget planning, financial analysis and technical budget support; (2) Financial Services which provides accounting services, administers employee benefits and payroll, prepares financial reports, and collects funds owed to HECC; (3) Contracts and Procurement which oversees purchasing, conducts solicitations, and prepares and processes contracts; and (4) Information Technology which provides planning and analysis, networking, data management, security, project management and customer support services for a myriad of separate information systems.
 3. *Office of Research and Data (R&D)* - collects data on students, courses, demographics, enrollments, academic performance, employment trends, and academic awards to comply with state and federal reporting requirements, provides effective

recommendations to state and agency policymakers, meets reporting responsibilities, and conducts research to better understand and manage the postsecondary enterprise.

4. *Office of Academic Policy and Authorization (APA)* - oversees two primary areas of work: public university academic policy and private postsecondary programs. The public university academic policy unit provides academic coordination related to Oregon's seven public universities, including coordination of the academic program approval process, statewide initiatives and legislative directives to enhance postsecondary pathways and student success. The Office of Degree Authorization (ODA) authorizes private degree-granting institutions and distance education providers. The Private Career Schools (PCS) unit licenses and supports private career and trade schools. ODA and PCS are responsible for student and consumer protection from diploma mills and unlicensed career schools.
 5. *Office of Post-Secondary Finance and Capital (PFC)* - provides fiscal coordination related to Oregon's public postsecondary institutions, including financial planning, biennial budget recommendations for the Public University Support Fund, Public University State Programs, Public University Statewide Public Services, capital investments, fiscal reporting and analysis, capital bond funding administration, and the allocation of state funding to public postsecondary institutions.
 6. *Office of Community Colleges and Workforce Development (CCWD)* - provides coordination and resources related to Oregon's community colleges and adult basic skills providers. CCWD also provides statewide administration related to Career and Technical Education (CTE) to include Carl D. Perkins Vocational and Technical Education Act, Accelerated Learning, Career Pathways, Community College Program Approval, GED ® testing and high school equivalency, English Language Learners, and the Workforce Innovation and Opportunity Act (WIOA) for Adult Education (Title II).
- **Workforce Investments** [\$25,855,267 General Fund/\$179,749,568 total funds, and 30 positions (29.50 FTE) in 2023-25 CSL] *The Office of Workforce Investments (OWI)* is responsible for convening partnerships in the workforce system, supporting the Oregon Workforce Investment Board (OWIB) as well as Local Workforce Development Boards (LWDBs) and implementing the Governor's vision and the OWIB strategic plan. HECC is the administrative entity for federally funded programs authorized by the U.S. Workforce Innovation and Opportunity Act (WIOA), including the WIOA Youth, Adult, Dislocated Worker programs and Federal Discretionary grants. Many of the services under this area are provided in coordination with the Oregon Employment Department. In addition, OWI oversees the state's Future Ready Oregon education, training, and employment initiative. The functions of the former Talent Council have been integrated into OWI, including the Oregon Youth Conservation Corps which provides education, training, and employment opportunities to disadvantaged youth ages 13 through 24. Funding for this program comes from the Amusement Device Tax and contracts with state and federal natural resources agencies. OWI also administers OregonServes, supporting statewide service and volunteer efforts, and providing funds for the state- based AmeriCorps program.
 - **Other Student Financial Assistance** [\$10,376,478 General Fund/\$28,975,904 total Funds and 25 positions (22.50 FTE) in 2023-25 CSL] *The Office of State Access and Completion (OSAC)* includes student financial assistance staff and programs. The Office provides financial assistance for postsecondary students, serving financial aid offices, colleges and universities, high schools, middle schools, outreach sites, state and federal agencies, community-based organizations, donors, and Oregon financial aid applicants. The Office receives, processes, and stores sensitive data submitted in the Free Application for Federal Student Aid (FAFSA) for more than 350,000 Oregon residents each year. It also supports multiple web portals, online applications, and reporting systems for the many programs it administers. Most of the

Other Funds expenditure limitation is related to the Office's work with a variety of private foundations, membership organizations, private donors, and community groups to administer more than 600 privately funded scholarship programs. The General Fund includes the Chafee Education and Training Grant for former foster youth, the Oregon Student Child Care Grant, the Oregon National Guard State Tuition Assistance program, the new Oregon Tribal Student Grant, along with several small programs serving targeted groups. OSAC also supports student mentoring programs (ASPIRE, College Possible, Oregon TRIO, AVID, and Build EXITO) that provide outreach services and resources to educate Oregon students to become career and college ready. 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

The 2023-25 current service level budget of \$304,010,758 total funds is \$218,588,038, or 41.8%, less than the 2021-23 legislatively approved budget of \$522,598,796. The 2023-25 CSL reflects the phase out of one-time appropriations or expenditure limitations, including Tribal Student Grant, and programs assisting access to post-secondary education. As part of the Future Ready Oregon investment, the 2022 Legislative Assembly allocated \$167,385,390 total funds to HECC [\$52,385,390 General Fund and \$115,000,000 federal funding from the American Rescue Plan Act (ARPA) budgeted as Other Funds] of mostly one-time funding for initiatives intended to provide skill and job training to Oregonians to close the gap between the skills of Oregon workers and the needs of Oregon businesses. Of the \$52,385,390 General Fund investment, \$35,229,016 was phased out. The remaining \$17,156,374 included in the current service level budget reflects ongoing investment for the Career Pathways and Industry Consortia programs, as well as \$1,270,984 to continue the assessment of Future Ready Oregon programs. The entire \$115,000,000 ARPA funds as Other Funds was phased out. HECC will need to continue these Future Ready Oregon programs into 2023-25 and will need to carryforward \$112,085,767 and 16 positions (16.00 FTE).

Issues and Background

HECC continues to build its infrastructure aligning systems and processes of former component agencies. One major project is the replacement of the Financial Assistance Management Information System (FAMIS) for the student aid programs. In 2021-23, \$5 million in Article XI-Q bonds were approved to fund the replacement of FAMIS.

Governor's Budget Summary

The Governor's budget is \$486,427,436 total funds which is \$182,416,678, or 60%, more than CSL. In addition to providing \$200,000 General Fund and establishing one position (1.00 FTE) in the Office of the Executive Director to work with organic farmers engaged with the Center for Small Farms and Community Food Systems, the Governor's budget also includes the following policy option packages:

- **POP 101 Tribal Student Grant:** \$40,245,859 General Fund, 1 position (0.88 FTE) to provide continuing funding for the Oregon Tribal Student Grant program to fund the cost of attendance for all eligible members of Oregon's nine federally recognized tribes.
- **POP 302 Early Learning Educator Grant:** \$5,207,930 General Fund, 1 position (0.88 FTE) to provide ongoing funds for a scholarship and grant program to provide scholarships to students who are working towards an early childhood care, education, and/or

behavioral mental health professional degree specializing in early childhood, as well as grants to institutions of higher learning and education professionals to develop high-quality degree programs for early childhood care.

- **POP 401 Student and Jobseeker Enterprise IT System:** \$10,468,566 Total Funds (\$278,819 General Fund, \$844,747 General Fund Debt Service, \$9,345,000 Other Funds), 3 positions (2.88 FTE) to continue an IT modernization project to replace the agency's aging technology systems, including the Office of Student Access and Completion's Financial Aid Management Information System (FAMIS), the Office of Workforce Investment's Eligible Training Provider List, and the Private Career School's database systems.
- **POP 406 Future Ready Oregon:** \$112,085,767 ARPA funds as Other Funds and 10 positions (10.00 FTE) to continue initiatives intended to provide skill and job training to Oregonians to close the gap between the skills of Oregon workers and the needs of Oregon businesses.

Key Performance Measures

HECC is guided by a Commission-adopted strategic plan that is organized around the Commission's overarching goals of student success, equity, affordability, and economic and community impact, each of which is linked to 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_2022-09-30.pdf