

<b>State Support for Community Colleges</b>					
	<b>2015-17 Actual</b>	<b>2017-19 Legislatively Adopted</b>	<b>2017-19 Legislatively Approved *</b>	<b>2019-21 Current Service Level</b>	<b>2019-21 Governor's Budget</b>
General Fund	598,210,325	640,683,334	640,455,744	671,100,268	603,135,043
Lottery Funds	10,171,150	11,699,204	11,699,204	11,520,140	11,520,140
Other Funds	106,925,333	103,493,051	103,720,642	45,810	67,702,801
<b>Total Funds</b>	<b>715,306,808</b>	<b>755,875,589</b>	<b>755,875,590</b>	<b>682,666,218</b>	<b>682,357,984</b>

\*Includes Emergency Board and administrative actions through December 2018.

### Program Description

This program area represents the funds distributed to the 17 community colleges, debt service payments on behalf of state issued bonds for community college facilities, capital construction, and specific payments for programs that are located at or benefit community colleges and their students. The largest program is the Community College Support Fund which is a “block grant” distributed to the community colleges based on a distribution formula. This budget area includes the Oregon Promise program which is available only to community colleges students but administered through the Office of Student Access and Completion (OSAC). Also included are two smaller programs that are community college-based; (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. Below are the programs included and the General Fund/Lottery Funds budget for each in the 2017-19 CSL.

<b>State Support to Community Colleges 2019-21 Current Service Level</b>		
<b>Millions of Dollars</b>		
	<b>General Fund</b>	<b>Lottery Funds</b>
Community College Support Fund	590.9	
Skills Centers	0.6	
Underserved Students (HB 3063 - 2015)	3.3	
Oregon Promise	41.5	
Debt Service	34.8	11.5

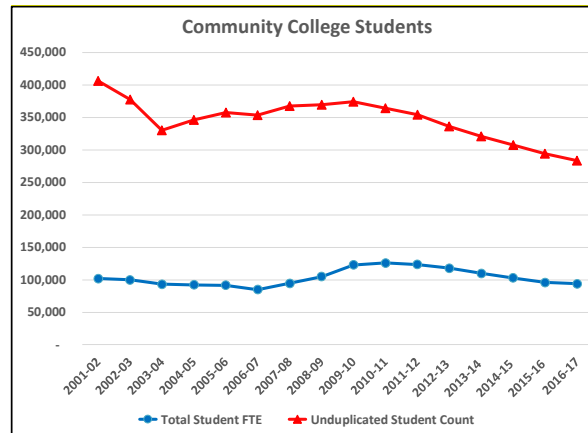
### CSL Summary and Issues

- The 2017-19 CSL for the Community College Support Fund is based on adjustments including for the increases in the PERS rate, health benefits, and pension obligation bonds. It uses the standard inflation rates for the remaining cost components. The CSL is not adjusted for number of students which has been falling in the past few years. Overall, there is a 3.6% increase or \$20.7 million over the \$570 million for the Community College Support Fund. After factoring in the growth in LRO estimated local revenues (e.g., property taxes), the growth in the combined state and local resources for this is 5.2%.

- 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 is based on the standard inflation rate. This amount should be reviewed during the 2019 Session considering the number of students participating in the program. This is a new program and it is difficult to accurately project participation until there are a few more years of participation. Factors leading to this uncertainty include the changing income eligibility thresholds during 2017-19, the ongoing participation of students enrolled in the first year of college who register in the second year, and the total number of new participants. There have been three cohorts or groups of new students since the program begun in the 2016-15 school year. The first year saw 6,971 participants in 2016-17, 5,674 in 2017-18 and 5,943 for this 2018-19 school year.

Policy Issues

- The level of funding for the Community College Support Fund is not dependent on the number of students attending Community Colleges. The funding in 2011-13 was approximately \$395 million and enrollment (based on student FTE) was roughly 123,000 in 2011-12. Funding for 2015-17 is significantly higher at \$570 million, but enrollment at just over 93,000 in 2016-17 school year was less than what it was in 2011-13. In recent years, enrollment is up during harder economic times and as the economy improves enrollment falls off as more jobs are available. Enrollment is not the only cost variable, but other programs such as the State School Fund and the Oregon Health Plan do use enrollment or number of eligibles in their CSL calculations.



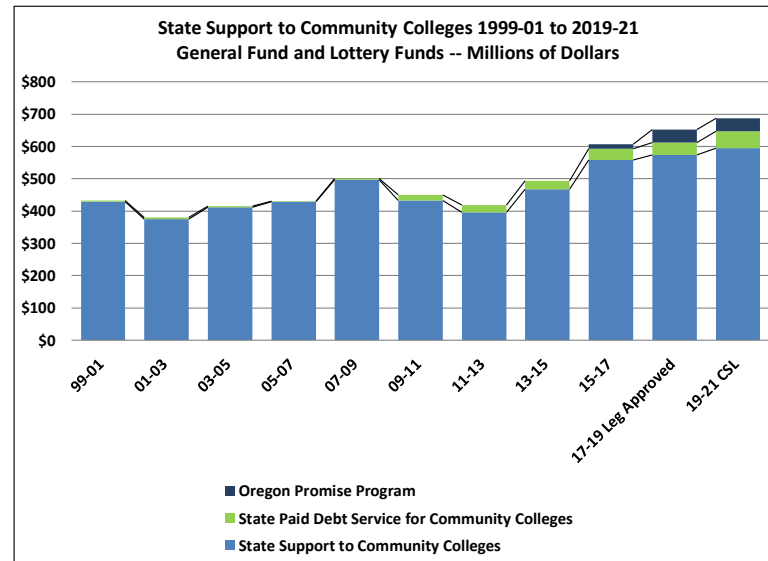
- There have been discussions in the past on options for changing how the Support Fund is distributed to the 17 Community Colleges. Currently the distribution is generally based on student FTE for eligible programs and also factors in the local revenues (e.g., property tax

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 partially adopted for public universities but has not moved forward for community colleges. There has not been formal discussion around this for at least a year at the Commission level. It might take direction from the Commission, Governor’s Office or the Legislature to get discussions started again.

- 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. There has been funding for transitional programs (e.g., funding to community colleges tied to Oregon Promise for increased academic counseling), but much of this funding was one-time and no longer available.

Other Significant Issues and Background

- During the 2017 Session, early information on participation in the Oregon Promise program indicated that the assumed funding would not be sufficient to meet the demand for the program. This was based on information for only a few academic quarters of experience given that the program had just begun. As a result, income related eligibility limitations were put in place, so estimated participation matched available resources for the program. Part way through the biennium, HECC determined that the income limitations could be removed based on more recent participation information. 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.
- Since the decrease in 2009-11 and 2011-13 due to the recession, the state funding for community colleges has increased by almost 55%.



- 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 2017-19, the General Fund appropriation had grown to \$26.6 million and there was an additional \$11.7 million in Lottery Bonds related debt service.
- The 2019-21 Governor's budget funds the Community College Support Fund at a level of \$543 million General Fund, compared to funding of \$570.3 million in 2017-19. After factoring in the estimated proportional increases in local property tax revenue for community colleges, the combined state and local tax revenues assumed in the Governor's budget basically remains at the same level as is available in 2017-19. Funding for the Oregon Promise program is decreased from the 2017-19 level of just under \$40 million General Fund to \$20 million General Fund, an amount the Governor's budget assumes is sufficient for the first year of the program.