

2025-27 Budget Review

Higher Education Coordinating Commission

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	2,649,624,557	2,921,972,904	3,161,299,482	3,222,974,858
Lottery Funds	137,731,002	201,017,893	202,193,019	190,162,589
Other Funds	646,841,822	664,226,894	104,334,480	612,825,482
Other Funds (NL)	154,650,340	223,056,500	194,196,819	194,196,819
Federal Funds	87,314,709	136,448,359	145,846,780	145,671,556
Federal Funds (NL)	14,334,596	24,544,455	24,435,302	24,435,302
Total Funds	3,690,497,026	4,171,267,005	3,832,305,882	4,390,266,606
Positions	180	196	182	201
FTE	160.87	185.63	173.58	187.72

* Includes legislative and administrative actions through December 2024.

AGENCY DESCRIPTION

Created in 2011, and given its full authority in 2013, the Higher Education Coordinating Commission (HECC) oversees all parts of higher education in Oregon, including regulation of private career and trade schools, as well as private and independent colleges and universities.

The HECC budget includes state funding for Oregon's 17 community colleges, seven public universities, Oregon Health and Science University (OHSU), and capital bonding authority for those institutions. The budget also includes state financial aid and programs that help middle and high school students prepare for college and career, workforce development and state service programs, and HECC agency programs and operations.

HECC has a 15-member volunteer commission, appointed by the Governor and confirmed by the Senate, that decides on state policy and funding strategies, and convenes partners working across the public and private higher education sectors to ensure student success.

The agency supports the commission and undertakes a variety of responsibilities to facilitate, guide, and evaluate the success of higher education efforts, from the time students explore college options until they graduate and contribute to the community and economy, including:

- Distributing state funding allocations to public institutions.
- Administering state financial aid and programs that help students prepare for and enroll in postsecondary education.
- Approving new degree and certificate programs.

- Licensing and authorizing private postsecondary institutions.
- Administering federally funded workforce development and community service programs.
- Collecting and reporting postsecondary data.

The HECC budget is funded through a combination of General Fund, Lottery Funds, Other Funds, and Federal Funds:

- **General Fund** — provides resources for agency operations and programs, community colleges, public universities, Oregon Health and Science University, the Oregon Opportunity Grant program, Oregon Promise, Oregon National Guard State Tuition Assistance, the Tribal Student Grant program, workforce initiatives, and debt service.
- **Lottery Funds** — allocated for the Oregon Opportunity Grant, Outdoor School, intercollegiate athletics and graduate school scholarships, and institution debt service.
- **Federal Funds** — mainly support workforce programs. Workforce Innovation and Opportunity (WIOA) Title I funding from the U.S. Department of Labor supports job training programs for adults, youth, and dislocated workers. WIOA Title II funds from the U.S. Department of Education for Adult Education and Family Literacy Act (AEFLA) programs help adults get the basic skills they need to be productive workers and citizens, including reading, writing, math, and English language proficiency. AEFLA requires a maintenance of effort (MOE), which is met with a combination of General Fund and Timber Tax Other Funds. Public university debt service is partially funded by \$4 million of Build America Bond federal subsidy payments.
- **Other Funds** — include money from taxes, fees, grants, donations, and transfers from other state agencies. Timber Tax revenue is distributed in equal shares to all 17 colleges. Amusement Device Tax and contracts with state and federal natural resource agencies support the Oregon Youth Corps program. Fee revenues include GED testing fees, and administrative fees for the Oregon Volunteers Commission and state-based AmeriCorps programs. HECC also collects licensing fees from private career schools (cosmetology, barbering, and other “personal care” training schools) in Oregon. Contributions from foundations, membership organizations, community groups, and private donors support over 600 privately funded scholarship programs administered by HECC. The Oregon Department of Education receives federal funds from the U.S. Department of Education through the Carl Perkins and Technical Education Act and passes a portion to HECC as Other Funds to support career and technical education programs. In addition, federal funding through the American Rescue Plan Act (ARPA) appears in the HECC budget as Other Funds for Workforce Ready (Future Ready Oregon) programs.

BUDGET ENVIRONMENT

Enrollment Trends

In aggregate, Oregon public universities and community colleges enrollment rose 3% in fall 2024, compared to 2023. This aligns with national projections that the number of high school graduates is expected to peak in 2025 and then steadily decrease through 2041, contributing to already declining higher education enrollment, especially for regional universities and community colleges. The decline in the number of traditional-age college students is mainly due to a drop in birth rates after 2008,

heightened by the disruptions from the COVID-19 pandemic. More people are questioning the value of a college degree because of high tuition costs and rising wages in jobs that don't require degrees.

Employers are also increasingly removing degree requirements, making the workforce a more attractive option for many. Institutions are recruiting adults, nontraditional students, and those who paused their education. However, students under age 25 still make up two-thirds of all new college enrollments. For Oregon public universities and community colleges, enrollment has been declining since 2016. With significant state investments, including increased funding for the Oregon Opportunity Grant program and workforce development targeted funding, institutions were able to stem the tide in the past three years. However, enrollment numbers are still not anticipated to reach pre-pandemic levels for some institutions. The industry consensus is that higher education can no longer depend on the traditional student pipeline to grow its way out of enrollment decline.

Increasing Expenses and Need for Postsecondary Education

Despite the declining enrollment, expenses for higher education are rising, and there is still a strong need for postsecondary education. Several factors make it challenging for institutions to quickly adapt to emerging realities and achieve financial stability. Inflation is driving up operating costs. Federal stimulus and one-time investments are running out. 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. Institutions have fixed costs that do not decrease when enrollment drops. Aging campus infrastructure requires capital investment. 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 achievement gap is not just tied to tuition — students also need more integrated wraparound support, from academic pathways to behavioral health services, as well as basic needs such as food, housing, transportation, and childcare.

The demand for skilled workers continues to grow. A recent report from the Georgetown University's Center for Education and the Workforce estimates that by 2031, 72% of jobs are expected to require postsecondary education or training. A labor shortage exists in the health care, STEM (Science, Technology, Engineering, and Mathematics), manufacturing, and transportation sectors due to fewer college graduates. Promisingly, evidence-based approaches suggest that the impact of declining high school graduates could be reduced by addressing K-12 learning loss and chronic absenteeism, enhancing high school advising and college access programs, simplifying the college-going process, improving affordability, increasing college retention and completion efforts, adapting academic programs to better prepare students for the job market and life-long learning, addressing achievement gaps of underrepresented students, providing wraparound support, and attracting adult learners with efforts such as credit for prior work experience.

Affordability: Tuition and Financial Assistance

HECC compares the cost of attendance (tuition, fees, housing, books, supplies, transportation, personal expenses) with expected resources (financial aid grants, expected family contribution, institutional aid, estimate of earnings) to measure affordability. For the 2022-23 school year, HECC calculated costs

outweighed resources for 36% of students compared to 35% for the 2021-22 school year. Although cost of attendance has risen, student resources have also risen. Low-income families rely on federal and state grants to cover about 40% of college costs, while middle- and upper-income families pay nearly all costs themselves. According to the State Higher Education Finance (SHEF) FY 2023 Report, at \$876 per student, Oregon's investment in financial aid has grown 159% since 2013, but still trails the national average of \$1,050. The report also includes the following 2023 benchmarks:

- For Oregon Community Colleges:
 - State and Local Funding per FTE — at \$11,400, Oregon community colleges receive more state and local funding than the national average (\$10,488), ranking 18th among the states. Oregon trailed the national average on this measure as recently as 2019, but has moved up in ranking due almost entirely to enrollment declines.
 - Net Tuition Revenue per FTE — \$2,869, a 13.8% decline from 2022 and a 18.4% drop from 2019 after adjusting for inflation. Net tuition revenue is the gross amount of tuition and fees minus state and institutional financial aid and tuition discounts. Federal financial aid and student loans are included in net tuition and fee revenue.

Total educational revenue (combining state and local funding and net tuition) was \$14,269 per student, placing Oregon 19th among the states.

- For Oregon Public Universities:
 - State and Local Funding per FTE — at \$6,451, Oregon public universities receive less funding than the national average (\$10,238), ranking 44th among the states.
 - Net Tuition Revenue per FTE — \$13,862, a 1.5% decline from the prior year and a 5.7% increase from 2019 after adjusting for inflation.

Total educational revenue was \$20,312 per student FTE, almost identical to the national average.

2024-25 FAFSA Simplification Rollout Challenges

According to the National College Attainment Network tracker, through November 2024, 45% of the high school class of 2024 in Oregon has completed a Free Application for Federal Student Aid (FAFSA). For the 2024-25 school year, there have been 24,120 completions in Oregon, which is 1,738, or 6.7%, fewer completions compared to the last academic year. Despite FAFSA rollout challenges, fall 2024 enrollment numbers increased at 15 out of 17 community colleges and four out seven universities. However, it is too early to know the full impact of the FAFSA completion drop. Early indicators show that the FAFSA completion drop disproportionately affected lower-income and rural high schools.

One-Time State Investments

The 2023-25 budget included several one-time General Fund investments:

- \$25 million to Eastern Oregon University (EOU), the Oregon Institute of Technology (OIT), Southern Oregon University (SOU), Western Oregon University (WOU), and Portland State University (PSU) to realign the institutions' offerings and resources with enrollment and economic realities.

- \$10 million to Oregon State University (OSU), the University of Oregon (UO), OIT, PSU, Portland Community College, and Mount Hood Community College for semiconductor workforce development.
- \$4 million to EOU, OIT, SOU, WOU, and PSU for behavioral health workforce development.
- \$5 million to support student access programs, including ASPIRE, College Possible, Oregon TRIO, AVID, and Build EXITO.
- \$10 million for the Oregon Conservation Corps Fund, established by SB 762 (2021), to reduce wildfire risks and introduce young adults to careers in wildland firefighting. The Fund provides grants to Oregon nonprofit organizations that offer job training, skill development, and career opportunities in forest and rangeland management.

State Support for Community Colleges

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	776,310,341	887,447,117	956,399,535	956,063,153
Lottery Funds	11,833,541	11,821,800	11,683,799	11,683,799
Other Funds	68,324,008	49,518,492	11,426,523	31,641,523
Total Funds	856,467,890	948,787,409	979,509,857	999,388,475

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

Oregon’s community colleges offer two-year degrees, certificates, workforce training programs, and coursework to transfer to a four-year university. Some offer four-year degrees. 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. This 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 is included in the HECC Operations part of the budget.

BUDGET ENVIRONMENT

In addition to state support, other primary sources of funding for community colleges are local property tax revenue and tuition revenue. Local property taxes do not flow through the state budget, but they are a factor in the distribution of state funding to community colleges. Over the past three decades, state funding and local property tax revenue has not kept up with the rising costs, and community colleges have had to depend more on tuition and fees. Approximately \$496.9 million in total property tax collections is projected by the Legislative Revenue Office (April 2024 forecast) for community college operations in the 2025-27 biennium, up by \$38.6 million from an estimated \$458.3 million forecasted for the 2023-25 biennium.

The Community College Support Fund (CCSF) is the main vehicle for state support of Oregon’s community colleges’ educational services and general operational costs. CCSF monies are not used for

hobby or recreation classes or for classes that are taught outside the state of Oregon. 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: (1) targeted categorical set asides and (2) formula funding. Categorical set asides are taken off the top before the distribution formula is calculated. Categorical set asides include funds to support the following programs:

- Community College Courses for Adults in Custody — supports adults in custody taking community college courses while incarcerated.
- Contracts Out-of-District Programs — enables students from regions of Oregon that are not in a community college service district (e.g., Harney County) to take classes offered by a neighboring community college district.
- Distance Learning — funds efforts to increase online learning for all 17 community colleges.
- Strategic Fund — supports statewide initiatives and efforts to meet new legislative requirements. HECC establishes the percentage of CCSF, currently 0.75%, used for the fund.
- Student Support — encourages enrollment of underrepresented students.
- Student Success — encourages students completing degrees and certificates.

The Student Support and Student Success set asides are new components to the CCSF distribution formula, which is discussed further in the Other Significant Issues section below.

Additional state support for community colleges includes support for:

- The First-Generation Students Grant Program, which provides funding to increase the number of underserved, low-income, and first-generation students as required by HB 3063 (2015).
- Two Skills Development Centers in the Portland Metro area:
 - The Sabin-Schellenberg Professional Technical Center — provides career and technical education classes to high school students in the North Clackamas School District.
 - The Margaret Carter Skills Center — offers job training to unemployed and underemployed learners who may have experienced the criminal justice system.

Community colleges also receive a small amount of timber tax revenue, which is distributed in equal shares to all 17 colleges through the CCSF.

This program area also includes Other Funds transferred to HECC from the Department of Corrections (DOC), via an interagency agreement, to distribute to colleges providing educational services for adults in custody in DOC facilities.

The state issues bonds (Article XI-G and Lottery) to help fund building projects at community colleges. Article XI-G bonds require a dollar-for-dollar match with local revenues 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 the 2025-27 current service level (CSL), the General Fund appropriation has grown to \$49.6 million. In addition to this amount, there is another \$11.7 million Lottery Funds for debt service on lottery bonds issued for the benefit of community colleges.

Under statute, community colleges are eligible for Article XI-G bond authority of up to \$8 million in bonding per project. Colleges are allowed only one project awaiting funds at a time. HECC is tasked with establishing the criteria for prioritizing and approving all capital construction requests from the community colleges to be backed in whole or in part by state-funded debt service.

This budget area also includes the Oregon Promise (OP) program, administered through the HECC Office of Student Access and Completion (OSAC). SB 81 (2015) established this program for recent Oregon high school and GED test graduates. Students must enroll at a community college within six months of graduation. Individual grant sizes depend on the amount a student needs to cover the average cost of community college tuition (up to 12 credits) after other state and federal grants have been considered. If the tuition cost is fully covered by other state and federal grants, then the student receives the minimum award. SB 1522 (2022) increased minimum grant award from \$1,000 to \$2,000. Each year, about 10,000-15,000 students apply, and 4,500 to 6,000 receive the grant. SB 1605 (2020) expanded eligibility to support eligible Oregon foster youth.

CURRENT SERVICE LEVEL

The 2025-27 total state support for community colleges CSL is \$979.5 million total funds, which is \$30.7 million, or 3.2%, more than the 2023-25 legislatively approved level of \$948.8 million total funds. The 2025-27 CSL for the CCSF is \$854.8 million General Fund, which is \$58.8 million, or 7.4%, more than the 2023-25 legislatively approved level of \$795.9 million General Fund. One-time investments in the 2023-25 biennium that were phased out include \$3.4 million for Portland Community College and Mount Hood Community College for semiconductor workforce development.

Below is the breakout of state support for community colleges by budget category at the 2025-27 CSL:

State Support for Community Colleges				
2025-27 Current Service Level				
	<u>General Fund</u>	<u>Lottery Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
Community College Support Fund (CCSF)	792,578,576	-	105,333	792,683,909
Community College Courses for Adults in Custody	3,011,429	-	-	3,011,429
Contracts Out-of-District (COD) Programs	322,237	-	-	322,237
Distance Learning	2,451,078	-	-	2,451,078
Strategic Fund	6,409,337	-	-	6,409,337
Student Support	30,000,000	-	-	30,000,000
Student Success	20,000,000	-	-	20,000,000
CCSF Total	854,772,657	-	105,333	854,877,990
First Generation Students Grant Program	3,964,957	-	-	3,964,957
Skills Development Centers	755,231	-	-	755,231
Department of Corrections Education Services	-	-	11,321,190	11,321,190
Debt Service	49,620,182	11,683,799	-	61,303,981
Capital Construction	-	-	-	-
Oregon Promise Program	47,286,508	-	-	47,286,508
TOTAL STATE SUPPORT FOR COMMUNITY COLLEGES	956,399,535	11,683,799	11,426,523	979,509,857

Current Service Level Calculation

The CSL 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 CSL for the CCSF is calculated using a blended inflation rate that is derived from the factors outlined below.

First, the community colleges submit actual allowable education and general expenditures for the most recent biennium for which they have the data. For the 2025-27 CSL, actuals from the 2021-23 biennium were used. Those expenditures are then divided into the following five expenditure categories and presented as a percentage of total cost. Once divided, estimated cost increases for each category are calculated using the following growth rates:

- Retirement (11.3% of budget) — inflated by the most current projected 2023-25 growth rates available during the CSL process. This rate comes from the Milliman actuary firm's April 2024 memo to the Public Employee Retirement System (PERS) on advisory 2025-27 contribution rates. This factor is applied using the projected salary increases. For the 2025-27 CSL, the growth rate is 17.4%.
- Health Benefits (9.7% of budget) — inflated using the growth rate allowed for the Public Employee Benefits Board (PEBB). For the 2025-27 CSL, the growth rate is 6.9%.
- Pension Obligation Bonds (5.9% of budget) — inflated using the percentage growth in pension obligation bond debt service payments charged to community colleges from Community College Financial Reports. For the 2025-27 CSL, the growth rate is 8.3%.
- Salaries (59.7% of budget) — inflated by the percentage allowed state agencies for professional services, which is higher than the standard services and supplies inflation rate. For the 2025-27 CSL, the growth rate is 6.8%.
- Services and Supplies (13.3% of budget) — inflated by the standard percentage allowed for state agencies. For the 2025-27 CSL, the growth 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 the 2025-27 budget development, this blended rate is 7.75%. The blended rate is multiplied by the 2023-25 Total Public Resources (TPR), less one-time investments, to arrive at the 2025-27 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 2025-27 are subtracted from the 2025-27 total resources needed to arrive at the 2025-27 state CSL for the CCSF.

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

The CSL used here is the state's CSL and does not represent 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.

GOVERNOR’S BUDGET SUMMARY

The Governor’s total state support for community colleges budget is \$999.4 million total funds, which is \$19.9 million, or 2%, more than the 2025-27 CSL of \$979.5 million. Investments above the CSL in the Governor’s budget include \$20.2 million Other Funds to be financed through the issuance of general obligation bonds for the following capital projects:

- Clackamas Community College Natural Resources Center of Excellence
- Mount Hood Community College Classroom and Lab Renovations
- Klamath Community College Cosmetology ADA Remediation

OTHER SIGNIFICANT ISSUES

CCSF Distribution Formula

Through fiscal year 2024, HECC distributed the formula funding portion of the CCSF based on the number of full-time equivalent (FTE) students enrolled at each college. This distribution is affected by the amount of local property tax imposed by each college.

Beginning with the 2025 fiscal year, HECC will determine payments to each college based on the Student-Focused Distribution Model that was approved after a year-long review. The Student-Focused Distribution Model will continue to distribute most of the fund through the formula described above but will dedicate a portion of the CCSF for two new components:

- Student Support — funding for students from priority populations, including low-income, adults, underrepresented as identified by race/ethnicity, and Career and Technical Education/Workforce Training.
- Student Success — funding completion and progress milestones, such as completing gateway courses, and finishing degrees or certificates.

The new formula will roll out over five years (2025-2029). For the 2023-25 biennium, \$12.5 million of the CCSF was set aside for these two components, \$50 million for the 2025-27 biennium, and \$70 million for the 2027-29 biennium. Thereafter, 10% of the CCSF will be dedicated to these two components. This Student-Focused Distribution Model will be reviewed every five years to review data accuracy, to ensure continued alignment with state goals, and to address unintended consequences.

Applied Baccalaureate/Bachelor of Applied Science (BAS) Degrees

SB 523 (2023) authorized community colleges to offer Bachelor of Science Nursing (BSN) degrees. SB 1552 (2024) stipulated that applied baccalaureate degree programs and Bachelor of Science Nursing degree programs that are approved by HECC are eligible for funding from the CCSF. The bill also directed HECC to report to the Joint Committee on Ways and Means as part of its 2025-27 budget presentation.

Oregon Promise

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 (OP) 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. In addition, there has been proposed legislation to waive the requirement that a student must have completed high school within six months of enrolling.

State Support in Relation to Declining Enrollment

The CSL is not adjusted for the number of students, which has been declining the past few years. 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 2011. At the same time, General Fund and Lottery Funds support for the CCSF has grown by 78.4% from \$396.3 million for the 2011-13 biennium to \$706.9 million for the 2021-23 biennium. 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.

State Support for Public Universities

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	1,418,498,125	1,565,002,436	1,653,673,513	1,661,294,434
Lottery Funds	98,218,972	87,696,093	115,186,151	103,155,721
Other Funds	470,476,317	369,190,904	8,778,959	434,533,959
Other Funds (NL)	152,019,947	191,199,890	190,279,651	190,279,651
Federal Funds (NL)	4,008,152	4,008,153	3,899,000	3,899,000
Total Funds	2,143,221,513	2,217,097,476	1,971,817,274	2,393,162,765

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

This program area represents state funds distributed to Oregon's seven public universities. This program area also includes debt service payments on state bonds issued for public university facilities and capital construction projects.

BUDGET ENVIRONMENT

Each of the public universities has a separate governing board, and while HECC provides statewide coordination of the public universities, the 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.

Over the last decade, staffing numbers have increased, especially in academic support and administrative areas, while student enrollment has decreased. This has led to fewer students per staff or faculty member compared to a decade ago and the national average. Rising pension costs and lower enrollment have driven up costs per student. Shared administrative services among the universities have decreased, causing higher administrative costs, but universities are working to manage expenses.

HECC reviews all capital funding requests for university projects before they go to the Department of Administrative Services and the Legislative Fiscal Office. HECC university capital guidelines include instructions for emergency and out-of-cycle requests. Since 2015, HECC has used a scoring system to rank university requests for state-supported debt for educational and general space and program needs. In 2019, HECC and the universities created a 10-year plan for capital development. Using the rubric and plan, at the 2025-27 agency requested budget phase, HECC submitted project requests totaling \$807.2 million in project costs to be financed through the issuance of general obligation bonds. This amount includes the public university Capital Improvement and Renewal (CIR) funding for deferred maintenance including code compliance issues, accessibility, and safety related projects. The CIR allocates the funding based on gross square footage and the density of usage to equitably allocate resources.

Current Service Level Calculation

Historically, CSL funding for public university education and program support 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. To ensure consistency in postsecondary state support CSL calculations, during the 2016 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 calculate 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 the CCSF.

The 2025-27 budget development continues using the CCSF blended inflation rate model for public university support. This blended rate is derived from the factors outlined below.

First, the public universities submit actual allowable education and general expenditures for the most recent biennium for which they have the data. For the 2025-27 CSL, actuals from the 2021-23 biennium were used. Those expenditures are then divided into the following five expenditure categories and presented as a percentage of total cost. 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. This rate comes from the Milliman Actuary firm's April 2024 memo to PERS on advisory 2025-27 contribution rates. This factor is applied using the projected salary increases. For the 2025-27 CSL, the growth rate is 19.4%.

- Health Benefits (9.8% of budget) — inflated using the growth rate allowed for PEBB. For the 2025-27 CSL, the rate is 6.9%.
- Pension Obligation Bonds (2.3% of budget) — inflated using the percentage growth in pension obligation bond debt service payments charged to public universities provided by the Department of Administrative Services Capital Finance. For the 2025-27 CSL, the rate is -21.2%.
- Personal Services (57% of budget) — inflated by the percentage allowed state agencies for professional services, which is higher than the standard services and supplies inflation rate. For the 2025-27 CSL, the rate is 6.8%.
- Operating Expenses (20% of budget) — inflated by the standard percentage allowed state agencies. For the 2025-27, 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 2025-27 budget development, this blended rate is 7%. 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.

CURRENT SERVICE LEVEL

The 2025-27 total state support for public universities CSL is \$2 billion total funds, which is \$245.3 million, or 11.1%, less than the 2023-25 legislatively approved level of \$2.2 billion total funds. The 2025-27 General Fund and Lottery Fund CSL is \$1.8 billion, which is \$116.2 million, or 7%, more than the 2023-25 legislatively approved level of \$1.7 billion. The table below is the breakout for each budget area at the 2025-27 CSL.

State Support for Public Universities						
2025-27 Current Service Level						
	General Funds	Lottery Funds	Other Funds	Other Funds Non-Limited	Federal Funds Non-Limited	Total Funds
Public University Support Fund	1,068,825,130	-	-	-	-	1,068,825,130
Public University Statewide Public Service Programs	196,559,462	60,130,583	-	-	-	256,690,045
Public University State Programs	61,752,695	-	4,975,593	-	-	66,728,288
Sports Lottery	-	19,576,379	-	-	-	19,576,379
Debt Service	326,536,226	35,479,189	3,803,366	190,279,651	3,899,000	559,997,432
Capital Construction	-	-	-	-	-	-
TOTAL STATE SUPPORT FOR PUBLIC UNIVERSITIES	1,653,673,513	115,186,151	8,778,959	190,279,651	3,899,000	1,971,817,274

Public University Support Fund

The Public University Support Fund (PUSF) represents the largest share of state support for public universities. The PUSF supports Education and General (E&G) operating expenses, which includes faculty and staff salaries, classrooms and libraries, student advising, research, information technology, facilities, fundraising, public service, admissions, human resources, as well as financial aid and scholarships. The PUSF does not support auxiliary programs, which include housing, dining, and athletics.

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, which was primarily based on enrollment. The outcomes based SSCM was approved in 2015 and is reviewed every two years. The SSCM is comprised of three funding categories:

- Mission Differentiation Funding — based on historical funding that recognizes the role of each public university, including research and regional access.
- Activity-Based Funding — distributes resources based on student credit hour completions of Oregon resident students at undergraduate and graduate levels.
- Outcomes-Based Funding — based on the degree and certificate completion by Oregon resident students with emphasis placed on completion by 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.

The 2025-27 CSL budget of \$1.1 billion General Fund for the PUSF is \$43.9 million, or 4.3%, more than the 2023-25 legislatively approved budget of \$1 billion. The 2025-27 CLS includes the phase out of \$24.9 million for the technical and regional universities (OIT, SOU, WOU, EOU) and PSU to realign the institutions' offerings and resources with enrollment and economic realities.

Statewide Public Services Programs

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

- Agricultural Experiment Station — conducts research in the agricultural, biological, social, and environmental sciences at a central station in Corvallis and at branch stations across the state.
- Extension Service — 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 budget also includes Lottery Funds for the Outdoor School Program available through the passage of Ballot Measure 99 in 2016.
- Forest Research Laboratory — conducts research into forest management, ecosystems, and renewable materials.

The 2025-27 CSL budget of \$196.6 million General Fund for statewide public services is \$9.7 million, or 5.2%, more than the 2023-25 legislatively approved budget of \$186.9 million General Fund. Support for the Statewide Public Services Programs was increased by an inflation rate of 7%, based on the CSL calculation methodology described above, after the removal of one-time funding. The 2025-27 CSL budget of \$60.1 million Lottery Funds for Outdoor School is \$23.7 million, or 65.2%, more than the 2023-25 legislatively approved budget of \$36.4 million and is based on available lottery revenues in the June 2024 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

Public University State Programs include General Fund support for a variety of institutions, centers, and programs operated by public universities that address economic development, natural resources, 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	
2025-27 Current Service Level	
	<u>General Fund</u>
All Universities: Engineering Technology Sustaining Funds	33,009,205
OSU: TallWood Design Institute	4,589,149
UO & PSU: Dispute Resolution	3,373,121
PSU: Oregon Solutions	3,047,559
OSU: Fermentation Science	1,673,459
UO, OSU, & PSU: Signature Research	1,404,777
UO: Labor Education Research Center	1,342,638
OSU: Ocean Vessels Research	836,730
OIT: Oregon Renewable Energy Center	644,796
PSU: Population Research Center	587,674
OSU: Institute of Natural Resources	538,788
UO: Clinical Legal Education	469,902
OSU: Oregon Climate Change Research Institute	422,329
PSU: Willamette Falls Locks Commission	245,022
OSU: Agricultural Channel Habitat Complexity Study	270,793
OSU: Veterinary Diagnostic Laboratory	3,452,964
OSU & PSU: Environmental Justice Mapping Tool	220,921
PSU, OSU, UO: Cybersecurity Center of Excellence Operating Fund	2,349,457
PSU, OSU, UO: Cybersecurity Center of Excellence Workforce Fund	2,300,543
OSU: Oregon Climate Service	267,505
PSU: Pilot program hiring students at nonprofits	158,857
EOU: Pilot program hiring students at nonprofits	155,949
OSU: Juniper Removal Program	390,557
TOTAL	<u><u>61,752,695</u></u>

The 2025-27 Public University State Programs CSL budget of \$61.8 million for state programs is \$33.6 million, or 35.2%, less than the 2023-25 legislatively approved budget of \$95.3 million. This reduction reflects the phase out of \$37.3 million in one-time investments made in 2023-25, including various investments for semiconductor and behavioral health workforce development, as well as wildfire, water, and drought management.

Sports Lottery

The 2025-27 CSL budget for Sports Lottery is \$19.6 million Lottery Funds, which is \$1.2 million, or 6.9%, more than the 2023-25 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. By statute, 88% of the amount allocated to the Sports Lottery Account, not to exceed \$8 million annually, must 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. In addition, 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.

Public University Debt Service

The 2025-27 CSL budget includes \$311.9 million General Fund and \$35.5 million Lottery Funds debt service on outstanding bonds approved through the 2024 session, including estimates for bonds to be issued in 2025 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.

GOVERNOR’S BUDGET SUMMARY

State Support for Public Universities						
2025-27 Governor’s Budget						
	General Funds	Lottery Funds	Other Funds	Other Funds Non-Limited	Federal Funds Non-Limited	Total Funds
Public University Support Fund	1,079,915,684	-	-	-	-	1,079,915,684
Public University Statewide Public Service Programs	192,677,236	48,060,583	-	-	-	240,737,819
Public University State Programs	62,252,695	-	4,975,593	-	-	67,228,288
Sports Lottery	-	19,615,949	-	-	-	19,615,949
Debt Service	326,448,819	35,479,189	7,018,366	190,279,651	3,899,000	563,125,025
Capital Construction	-	-	422,540,000	-	-	422,540,000
TOTAL STATE SUPPORT FOR PUBLIC UNIVERSITIES	1,661,294,434	103,155,721	434,533,959	190,279,651	3,899,000	2,393,162,765

The Governor’s budget for public universities is \$2.4 billion total funds, which is \$421.3 million, or 21.4%, more than the 2025-27 CSL of \$2 billion total funds. The Governor’s General Fund and Lottery Funds budget for public universities is \$1.8 billion, which is \$4.4 million, or 0.25%, less than the 2025-27 CSL of \$1.8 billion. The Governor’s budget includes the following investments:

- \$11 million General Fund reauthorization of remaining funds for OIT, SOU, WOU, EOU, and PSU to realign the institutions’ offerings and resources with enrollment and economic realities.
- \$500,000 General Fund for the OSU AgriStress Helpline, under Public Universities State Programs.
- \$425.8 million Other Funds for bond proceeds and associated cost of issuance to finance the following capital projects:
 - Public Universities Capital Improvement and Renewal
 - PSU Portland Center of the Performing Arts Academic Building and Parking
 - PSU Student Housing

Reductions in the Governor’s budget for public universities include:

- \$12 million Lottery Funds decrease to the Outdoor School Program.
- \$3.9 million General Fund decrease to the Agricultural Experiment Station and Forest Research Laboratory.

State Support for Oregon Health and Science University

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	152,549,728	164,367,507	170,048,688	170,048,688
Other Funds	31,485,870	7,328,750	-	-
Other Funds (NL)	2,629,726	3,441,830	3,317,168	3,317,168
Total Funds	186,665,324	175,138,087	173,365,856	173,365,856

* Includes legislative and administrative actions through December 2024.

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 statewide outreach. 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 offers professional degrees in medicine, nursing, dentistry, pharmacy, other health professions (physician assistants, radiation therapy, dietetics, laboratory medicine and EMT training), and several PhD and master’s degrees along with certificate programs in the sciences. OHSU also educates interns, residents, and fellows in accredited specialty programs in medicine and dentistry. 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, OHSU partners with 11 community colleges to provide Registered Nurse to Bachelor of Science degrees at the Portland campus and online.

In 1995, the Legislature separated OHSU from the Oregon University System, making it a public corporation so it would have greater operating flexibility in competing in the health care industry. Since that time, OHSU has been governed by a Board of Directors nominated 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 general education and specific statewide programs.

Direct state funding makes up a small percentage of OHSU’s total revenues (less than 4% of OHSU’s \$4.5 billion revenues in fiscal year 2023). OHSU’s largest revenue source is patient service revenues, which include 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 supported debt service on Article XI-L Oregon Opportunity Bonds that were issued to enhance

OHSU’s research programs in genetics and biotechnology. Oregon Opportunity Bonds were paid off in 2024. OHSU revenues support legacy Article XI-F(1) general obligation bonds issued when OHSU was part of the Oregon University System.

BUDGET ENVIRONMENT

During the 2022 session, OHSU received \$45 million General Fund to support its 30x30 by 2030 plan. This investment included \$20 million annually for ongoing education and general support and \$25 million in one-time investment to be used as matching funds for the OHSU Opportunity Fund to provide tuition assistance and loan repayment to learners from underrepresented communities. The 2025-27 CSL includes \$46.2 million General Fund for ongoing education and general support as part of this investment.

CURRENT SERVICE LEVEL

Oregon Health and Science University (OHSU)			
2025-27 Current Service Level			
	<u>General Funds</u>	<u>Other Funds NL</u>	<u>Total Funds</u>
Education and General			
School of Medicine	32,355,546		32,355,546
School of Nursing	27,981,933		27,981,933
School of Dentistry	13,113,519		13,113,519
Office of Rural Health/Area Health Education Centers	5,732,885		5,732,885
Healthcare Workforce 30-30-30 Initiative	46,178,589		46,178,589
Other Programs			
Child Development and Rehabilitation Center	10,403,097		10,403,097
Oregon Poison Center	4,291,994		4,291,994
Oregon Children's Integrated Health Database	2,140,000		2,140,000
Statewide Behavioral Health Capacity Dashboard	4,280,000		4,280,000
TOTAL	146,477,563	-	146,477,563
Debt Service			
OHSU Knight Cancer Institute - XI-G Debt Service	23,571,125		23,571,125
Legacy Debt - XI-F (1) Debt Service		3,317,168	3,317,168
TOTAL STATE SUPPORT FOR OHSU	170,048,688	3,317,168	173,365,856

The CSL budget of \$170 million General Fund is \$5.7 million, or 3.5%, less than the 2023-25 legislatively approved budget of \$164.4 million General Fund. The CSL budget includes phase out of \$3.9 million in one-time investments and standard inflation.

GOVERNOR’S BUDGET SUMMARY

The Governor’s budget for OHSU is at the current service level.

Oregon Opportunity Grant

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	147,924,447	166,276,003	250,348,131	275,432,036
Lottery Funds	27,678,489	101,500,000	75,323,069	75,323,069
Other Funds	15,657,938	40,623,997	3,700,000	3,700,000
Total Funds	191,260,874	308,400,000	329,371,200	354,455,105

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

Established in 1971, the Oregon Opportunity Grant (OOG) is Oregon's largest and oldest state-funded, need-based grant program to help Oregon students afford college. Grant awards are based on the cost of attendance and financial need. In its 53 years, the program has undergone various changes, including adjustments in award amounts and the criteria for student eligibility. For example, HB 3471 (2011) required OSAC to prioritize awarding of Oregon Opportunity Grants to foster youth. OSAC works with the Oregon Department of Human Services (DHS) to identify those former and current foster youth who are eligible for the grant. In the 2021-22 school year, 218 former foster youth received OOG funds totaling \$664,804.

Oregon students apply for the Opportunity Grant by completing the FAFSA, which is also the application for Federal Pell Grants and Federal Direct Student Loans. Undocumented Oregon residents who are not eligible for federal student aid can complete an alternative to the FAFSA, known as the Oregon Student Aid Application (ORSAA).

Each year, the program helps around 36,000 low-income undergraduate Oregon residents pay for a portion of their college expenses at an Oregon community college, public university, or Oregon-based private nonprofit four-year institutions. Annual evaluations of the OOG program by HECC have found that recipients of OOG are more likely to be students of color, students from rural areas, older students, and women. Community college students with an OOG had higher rates of retention and earned more credits than students overall. Public and private university students with an OOG had nearly identical rates of retention and earned nearly identical numbers of credits than students overall. Although 50% of students with the OOG could not cover the cost at their school, even with financial aid, EFC, and their own earnings, this number would have been 62.5% without the OOG awards.

BUDGET ENVIRONMENT

The 2023-25 legislatively approved OOG biennial budget is \$308.4 million total funds, or \$154.2 million annually. HECC estimates that to get the affordability rate to zero, annual costs for the OOG program could range from \$199 million to \$390.5 million depending on the number of students enrolled and their income backgrounds. Related factors such as expanded housing, increased FAFSA/ORSAA filing, and changing demographics of the student body would also affect these estimates.

Before the end of the 2025 session, HECC will need to release information on the availability of the program to be prepared for the first grant period, which is near the beginning of the 2025-27 biennium. This information includes the anticipated number of grants that will be awarded and the amounts of individual grants. This timing means that the Legislature will need to communicate to HECC on the potential funding level in March or April 2025 or HECC will risk underfunding or overfunding of the program during the first academic year of the biennium.

SB 1528 (2018) established the College Opportunity Grant Tax Credit auction for contributions made to the OOG program. The program was authorized to issue up to \$14 million worth of tax credits per year. This program expired on January 1, 2024.

CURRENT SERVICE LEVEL

The 2025-27 CSL budget of \$329.4 million total funds is \$2 million, or 6.8%, more than the 2023-25 legislatively approved budget of \$308.4 million. The Other Funds revenue sources include remaining 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 of revenue, so the OOG receives one-quarter of the earnings plus all earnings not required for debt service on lottery bonds issued by the state for school districts. These bonds were paid off during the 2019-21 biennium, so now all earnings are dedicated for the OOG. The revenue mix for the OOG will be adjusted based on projected Education Stability Fund earnings.

GOVERNOR'S BUDGET SUMMARY

The Governor's budget for the Oregon Opportunity Grant program is \$354.5 million total funds, which is \$25.1 million, or 10%, more than CSL.

HECC Operations and Other Programs

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	154,341,916	138,879,841	130,829,615	160,136,547
Other Funds	60,897,689	197,564,751	80,428,998	142,950,000
Other Funds (NL)	667	28,414,780	600,000	600,000
Federal Funds	87,314,709	136,448,359	145,846,780	145,671,556
Federal Funds (NL)	10,326,444	20,536,302	20,536,302	20,536,302
Total Funds	312,881,425	521,844,033	378,241,695	469,894,405
Positions	180	196	182	201
FTE	160.87	185.63	173.58	187.72

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

This program unit includes all the staffing and resources for HECC programs and operations, excluding direct funding for community colleges (including Oregon Promise), public universities, OHSU, and the Oregon Opportunity Grant program. Also not included in this program unit are the state-paid debt service and capital construction limitation for community colleges, public universities, and OHSU.

The HECC Operations and Other Programs unit consists of the following three primary areas: HECC Operations, Workforce Investments, and Student Financial Assistance.

HECC Operations

- **Office of the Executive Director** — provides leadership and central executive functions, including legislative affairs, equity and inclusion efforts, human resources, internal audits, policy initiatives, and communications.
- **Office of Operations** — ensures compliance with state and federal requirements and includes budget and accounting, contract and procurement, facilities, and information technology.
- **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, as well as to provide effective recommendations to state and agency policymakers. R&D also conducts research to better understand and manage the postsecondary enterprise.
- **Office of Academic Policy and Authorization (APA)** — oversees two primary areas of work: (1) public university academic policy and (2) 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.
- **Office of Degree Authorization (ODA)** — authorizes private degree-granting institutions and distance education providers, approving degree, practicum, and clinical placement programs.

- **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.
- **Office of Postsecondary 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.
- **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), including the 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 for Adult Education. CCWD also administers funds to each of the community colleges to create, develop, and sustain pathways for learners into high-quality CTE programs and career opportunities. SB 1545 (2022), the Future Ready Oregon investment included \$10 million for career pathways work.

Workforce Investments

- **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 US Workforce Innovation and Opportunity Act, including 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. The functions of the former Talent Council have been integrated into OWI, including the Oregon Youth Corps program, which provides funding to community-based providers offering land preservation and management training and work experience to disadvantaged and at-risk young adults. Funding for this program comes from Amusement Device Tax and contracts with state and federal natural resources agencies. OWI also manages the Oregon Conservation Corps Program, established by SB 762 (2021) to reduce wildfire risks, create fire-adapted communities, and introduce young adults to careers in wildland firefighting. OWI also administers OregonServes, an AmeriCorps service commission for Oregon, supporting statewide service and volunteer efforts. In addition, OWI oversees the state’s Future Ready Oregon education, training, and employment initiative.

Student Financial Assistance

- **Office of State Access and Completion (OSAC)** — includes student financial assistance staff and programs. OSAC serves students, financial aid offices, colleges and universities, high schools, middle schools, outreach sites, state and federal agencies, community-based organizations, and donors. OSAC receives, processes, and stores sensitive data submitted in the FAFSA for more

than 350,000 Oregon residents each year. OSAC 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 OSAC'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 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.

BUDGET ENVIRONMENT

HECC continues to streamline its infrastructure to align systems and processes of former component agencies. One major project is the modernization effort to replace the agency's aging technology systems, including OSAC's Financial Aid Management Information System (FAMIS), the OWI's federally required Eligible Training Provider List (ETPL), and the Office of Academic Policy and Authorization systems (PCSVets). Completing the project will enable HECC to use one IT platform (LEARN) to meet the needs of all three offices. This effort also includes a design for a full-cycle, agency-wide grant management system within LEARN. In the 2021-23 biennium, \$5 million in Article XI-Q bonds were approved to fund the replacement of FAMIS. In 2023-25, an additional \$5 million in Article XI-Q bonds were approved to continue the IT modernization efforts.

CURRENT SERVICE LEVEL

The 2025-27 CSL budget of \$378.2 million total funds is \$143.6 million, or 27.5%, less than the 2023-25 legislatively approved budget of \$521.8 million. The 2025-27 CSL reflects the phase out of one-time appropriations or expenditure limitations, including programs assisting access to postsecondary education.

As part of the Future Ready Oregon investment, the 2022 Legislative Assembly allocated \$167.4 million total funds to HECC. This included \$52.4 million General Fund and \$115 million federal funding from ARPA (budgeted as Other Funds to HECC), of mostly one-time funding for initiatives to provide skill and job training to Oregonians. This was intended to close the gap between the skills of Oregon workers and the needs of Oregon businesses. Of the \$52.4 million General Fund investment included in the 2021-23 budget, \$35.2 million was phased out for the 2023-25 budget. The remaining \$17.2 million included in the 2023-25 budget reflects ongoing investment for the Career Pathways and Industry Consortia programs, as well as \$1.3 million to continue the assessment of Future Ready Oregon programs. Of the \$115 million ARPA funds included in the 2021-23 budget as part of the Future Ready Oregon investment, \$112.1 million and 12 positions (12.00 FTE) were reauthorized in the 2023-25 legislatively approved budget. HECC is requesting the reauthorization of \$62.3 million Other Funds and nine positions (6.75 FTE) in OWI and \$248,504 Other Funds and one position (0.75 FTE) in the Office Research and Data to

continue Future Ready Oregon implementation. Although all funding will be obligated by the end of 2024, project implementation and reporting will continue through 2026.

GOVERNOR'S BUDGET SUMMARY

The Governor's budget for HECC operations and programs is \$469.9 million total funds, which is \$91.7 million, or 24.2%, more than the 2025-27 CSL of \$378.2 million total funds. The Governor's General Fund budget for HECC operations and programs is \$160.1 million which is \$29.3 million, or 22.4%, more than the 2025-27 CSL of \$130.8 million. The Governor's budget includes an additional 19 positions (14.14 FTE).

Investments above CSL in the Governor's budget for HECC operations and programs include one additional position (0.88 FTE) for OSAC to support the Oregon Opportunity Grant program and the following:

- **Oregon National Guard Student Tuition Assistance (ONGSTA)** — \$1.1 million General Fund increase for OSAC, bringing the total funding for ONGSTA to \$6.6 million General Fund.
- **Oregon Tribal Student Grant** — \$2.5 million General Fund increase for OSAC, bringing the total funding for the Oregon Tribal Student Grant to \$28.5 million General Fund.
- **Behavioral Health Workforce Initiative** — \$25.7 million General Fund and three positions (2.00 FTE) for OWI to expand education and training pathways to enhance the behavioral health workforce, including funding for tuition assistance, scholarships, and wraparound support for students.
- **Pre-Apprenticeship** — \$5 million General Fund to support programs designed to prepare individuals to enter and succeed in a registered apprenticeship program.
- **Modernization Project (LEARN System)** — \$12.8 million total funds (\$2.2 million General Fund and \$10.7 million Other Funds) and four positions (3.76 FTE) for HECC's Office of Operations and R&D to complete the IT modernization project to replace the agency's aging technology systems.
- **Future Ready Oregon ARPA Continuation** — Reauthorized \$62.5 million in Other Funds expenditure limitation and 10 positions (7.50 FTE) for HECC's OWI and R&D 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. All funding for Future Ready Oregon program established by SB 1545 (2022) will be obligated by the end of 2024. However, project implementation will continue through 2026 and will be administered and funded with federal dollars coming to HECC from Department of Administrative Services.
- **Educator Administrator Scholarship Program (EASP)** — \$3.1 million Other Funds and one position (0.50 FTE) to transfer the authority and administration of this program from the Teacher Standards and Practices Commission to HECC. EASP is designed to increase the diversity of Oregon education administrators.

Reductions in the Governor's budget for HECC operations and programs include:

- \$804,639 decrease in General Fund reflecting the elimination of the National Career Readiness Certificate (NCRC) program required by ORS 660.343, which certifies workplace and college readiness skills of Oregonians for continued education and workforce training.

- \$5.6 million decrease in General Fund reflecting the elimination of funding for the Benefits Navigators program. HB 2835 (2021) established the Benefits Navigators program to enable each public university and community college to train and employ staff in assisting students with applying for and receiving need-based financial benefits provided by federal, state, and local sources, such as Supplemental Nutrition Assistance Program (SNAP) food benefits, Oregon Health Plan (OHP) coverage, housing assistance, culturally specific resources, and other basic needs. Each institution is required to participate in a statewide consortium to coordinate collaboration, collect data, and develop best practices in helping students access benefits programs.

KEY PERFORMANCE MEASURES

HECC is guided by a Commission-adopted [strategic plan](#), which 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 Higher Education Coordinating Commission Annual Performance Progress Report can be found on the LFO website: [KPM - View Report](#)

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