Oregon
Tina Kotek, Governor

Higher Education Coordinating Commission
3225 25th Street SE
Salem, Oregon 97302
www.oregon.gov/HigherEd

August 8, 2024

Dear Governor Kotek,

On August 8, 2024 the Higher Education Coordinating Commission (HECC) adopted an Agency Request Budget (ARB) for the 2025-27 biennium. Consistent with direction that you and the Chief Financial Office provided this year, we have limited our requests for new funding (above the current service level estimates) to 1% of our 2023-25 legislatively approved general fund budget. We recognize that your budget directions reflect projections about state revenues in 2025-27 and your commitment to engaging agencies in the development of realistic proposals that could be funded within a balanced state budget. We have appreciated the opportunity to work with your staff over the last several months to develop priorities, including our proposals for a modest increase to the Oregon Opportunity Grant and new grant funding for students studying to work as early childhood professionals.

However, we are seriously concerned that at the funding levels described within our ARB, Oregon will hinder progress towards state goals for postsecondary education and training. If adopted, this budget would further shift the cost of postsecondary education from the State to students and jeopardize recent progress at improving affordability, equity, and workforce development in Oregon. While we recognize the constraints imposed by current revenue and spending forecasts, we urge you to do everything possible to improve upon the funding levels included within our ARB as you develop your Governor's Recommended Budget for 2025-27.

The 1% limit on new spending causes several major challenges for our ARB:

Community College and University Funding

We are deeply concerned that funding levels in the ARB would result in large tuition increases and program reductions at Oregon community colleges and public universities. The ARB proposes funding community colleges and public universities at their state-determined Current Service Level (CSL) amounts of $854.7 million and $1,068.8 million for their respective support funds. Unfortunately, the formula used to establish CSL for the support funds this biennium significantly understates the actual cost of continuing to sustain programs and services at Oregon's public colleges and universities. For example, CSL assumes that salaries and wages at the colleges and universities will increase 6.8% between 2023-25 and the 2025-27 biennium. This estimate is below the colleges' and universities' own projections of 11.5% and 9.5% increases respectively, discounting real-time collective bargaining agreements and other inflationary pressures. Because labor costs are by far the institutions' largest expense, a modest gap between these projections has a profound impact on institutions' overall budget. We hope to work with the Chief Financial Office, the Legislative Fiscal Office, public universities, and community colleges to review the existing CSL model established pursuant to Senate Bill 5701 (2016) and to decide if adjustments are needed for future CSL determinations.

Higher Education Coordinating Commission
3225 25th Street SE
Salem, Oregon 97302
www.oregon.gov/HigherEd

In the meantime, this gap has large implications for colleges, universities, and the students trying to attend them. At CSL, we estimate that most public institutions would be required to make significant program cuts, increase tuition rates well above 5% annually, or both. Oregon public universities and community colleges already have tuition rates that are among the highest in the Western states. These impacts would likely fall disproportionately upon our most vulnerable students, including low and middle-income students who are especially price sensitive. Potential cuts to adjunct and other faculty positions would likely reduce the frequency and availability of some courses that students need to complete their programs, increasing time to degree. And with contractual and accreditation-related limits on the ability of institutions to reduce academic programs and positions, we expect that the largest brunt of budget cuts would fall on advising, wraparound, and other supports that are particularly important to vulnerable and marginalized students.

We estimate that approximately $54.3 million in additional funding – above CSL – would be required in order to match the colleges' and universities' combined estimate of their labor cost increases for 2025-27. Even this funding level falls well short of the state investment that would be required to significantly expand affordable access and equitable outcomes at Oregon public institutions.

State Financial Aid and Access

Our ARB dedicates most of its allowable requests for new funding, or $24.7 million, to expanding the budget for the Oregon Opportunity Grant (OOG). This reflects the Commission's longstanding priority of increasing need-based aid for Oregon resident students, especially given the well-researched connection between state grant aid and student success.[1] Today, we are only able to award the OOG to students in the low-income range (at an $8000 Student Aid Index or below), and with a grant amount that does not meet their full need. Even with increases to its budget for 2023-25, there are many Oregonians in the low- to middle- income range who earn just over the eligibility threshold for the grant but still struggle with costs. The OOG has been placed under additional strain this year by the shift by the US Department of Education to a more realistic method for assessing student need, which tells us that thousands more Oregonians should qualify for the largest state and federal grants. All told, we estimate that even after taking into account expected resources, family contributions, student earnings, and grant aid, 36 percent of current students at our public institutions cannot afford the cost of college. While we would be grateful for any new investment in the Opportunity Grant in 2025-27, we estimate that an investment of at least $150 million in new funding for OOG would be required to create affordable access for low and middle-income students with Student Aid Indexes of up to 10,000.

[1] A recent report finds that "for every $1,000 grant aid [that a student receives], degree completion increases approximately 2.5 percentage points." (Cummings et.al., *Investigating the Impacts of State Higher Education Appropriations and Financial Aid*. SHEEO, May 2021.).

The ARB has other concerning implications for postsecondary access. For two biennia, the Legislatively Adopted Budget for HECC has included $5 million for a suite of postsecondary access programs. Because this funding was considered one-time, it is not part of CSL and is not included within our ARB. Losing funding for these programs would have significant impacts on students. ASPIRE, the college and career readiness program that the HECC administers and which is supported by this fund, would be able to serve fewer high school and community-based sites. HECC would curtail outreach efforts that have contributed to nearly maintaining Oregon's overall FAFSA completion rates in spite of the federal challenges this year. And the loss of this funding would diminish the reach of community- and institution-based programs such as College Possible, the TRIO Association, AVID, and BUILD EXITO that are creating pathways to postsecondary education for marginalized students.

Workforce Development

The HECC's ARB funds the agency's workforce development efforts essentially at Current Service Level. Due primarily to the heavy reliance on one-time funding for these activities in 2023-25, a CSL budget in 2025-27 would significantly curtail or end some of the State's recently-launched workforce development programs that are advancing a more equitable workforce system and increasing opportunities for diverse workers. Oregon expects 221,000 new jobs by 2032, on top of the 2.5 million openings to replace existing workers; six out of 10 jobs will entail education beyond high school to be competitive. The health care, education, manufacturing, technology, and semiconductor sectors in particular depend on expanding postsecondary education and training.

Under the ARB, most of the activities and grantmaking associated with Future Ready Oregon would cease during the 2025-27 biennium. While HECC staff will continue to support existing Future Ready grantees through 2026, a 2025-27 appropriation will be required for us to sustain the program through the new biennium and beyond. A state investment will be necessary to continue to make Workforce Ready Grants that are fostering innovative partnerships between community organizations, employers, and educators. Without those funds, we will lose traction in our efforts to advance a more equitable workforce system, engage CBOs as equal partners, and increase opportunities for diverse workers by centering the needs of historically underrepresented and underserved Oregonians. Finally, without continuing general fund investment in the Prosperity programs established under Future Ready Oregon, local workforce development boards will be limited to restrictive WIOA funding, hindering innovation and limiting the ability to be responsive to the needs of diverse students and learners.

A separate workforce development program, the Oregon Conservation Corps (OCC), was established by the Legislature in 2021 and received one-time appropriations of $10 million in 2021 and 2023. At current service level, this program will cease to exist. OCC provides grant funding to reduce the risk wildfires pose to communities and critical infrastructure, create fire-adapted communities, and engage youth and young adults in workforce training. Since its establishment through December 2023, more than 600 youth have participated in OCC, treating over 4,400 acres at 681 work sites across Oregon.

Oregon
Tina Kotek, Governor

Higher Education Coordinating Commission
3225 25th Street SE
Salem, Oregon 97302
www.oregon.gov/HigherEd

Summary

The Higher Education Coordinating Commission takes very seriously its responsibility for providing coordination and leadership for Oregon's postsecondary education and workforce development system under whatever budgetary circumstances we face. We understand that there are enormous pressures on the state budget, and that state funding for postsecondary education and training in 2025 will likely fall short of our own and our partners' aspirations. The Commission is committed not to let reduced funding of this sector impede our efforts to support reforms that lead to a more equitable, efficient, and aligned system of postsecondary education and training. We are heartened by the progress that our public colleges and universities, community organizations, workforce development agencies, and others have made over the last decade in improving access, increasing credential completion rates, and closing equity gaps. While some of that has been the result of increased public funding – restoring roughly the level of funding for these systems that Oregon experienced prior to the Great Recession – much has been the result of concerted focus by state and institutional leaders, faculty and staff, and other partners. We are determined to sustain this progress under whatever state budget you and the Legislature adopt in 2025.

We are mindful, however, that Oregon's statutory goals demand more than incremental progress in our postsecondary education and training systems. Producing equitable prosperity for our state's residents will require doubling down on efforts to increase affordable access to education and training beyond high school. And meeting the skilled workforce needs facing our health care, education, manufacturing, technology, and other sectors will require focus – and new investment.

As Governor-appointed commissioners, we recognize our responsibility to advise and support you in delivering on the agenda that you have set for Oregon state government. We have appreciated that this year's ARB process has involved working more closely with your staff, earlier than is typical in the budgeting process, to develop recommendations that are realistic within the constraints of a balanced budget. At the same time, we recognize that Oregon statute directs that in the development of our biennial budget, the Commission shall "recommend to the Governor a consolidated higher education agency request budget aligned with the [HECC] strategic plan."[2] We hope that this letter has helped illustrate how the HECC's 2025-27 budget could come more closely into alignment with the state goals and the HECC's strategic plan.

Yours sincerely,

Sandy Rowe
Chair, Oregon Higher Education Coordinating Commission

[2] ORS 350.075(e)