**Docket Item:**

August Legislative Update

**Summary:**

***2021 Legislative Concept Development***

The regular business of developing legislative concepts continues. As a reminder, the timeline for the review and submission of concepts is as follows:

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|---|---|
| June 3: | (COMPLETE) Submit proposed legislative concept requests to DAS. |
| July 15: | (PARTIALLY COMPLETE) DAS provides approval for concepts that can be submitted to Legislative Counsel for drafting. Legislative Counsel begins to draft concepts and provides drafts to agency for refinement. Agencies have one opportunity to refine each concept |
| October 2: | Last day for agencies to submit redraft requests |
| November 6: | Legislative Counsel stops work on agency concepts |
| November 12: | Commission approves final concept list |
| November 13: | Final agency concept packages due to Governor |
| December 18: | Governor-approved legislative concepts pre-filed with legislature for introduction as 2021 legislative session bills |

At this point in the process, language has been submitted for all but one legislative concept. That concept is the proposed financial aid redesign the Commission was briefed on in June, and is anticipated to be submitted to Legislative Counsel later this month.

The financial aid concept is in the process of being modified. In May, staff presented the Commission a proposal for a program that alters current financial aid programs by shifting program criteria such that the primary determining factor is whether the student is a "pipeline" student or an adult student. Staff continue to develop this proposal, focusing specifically on key questions that remain unresolved in the area of determining the cut-off point between programs and differentiation between the award structures of each program.

***2020 Second Special Session***

The Legislature held its second special session of 2020 on Monday, August 10th. The session was almost exclusively dedicated to budget issues related to the Coronavirus and associated economic downturn.

The Legislature adopted the following changes to its 2019 adopted budget:

HECC-OSAC Financial Aid Programs:

- Oregon Promise was reduced by $3.6 million. This will mean eliminating eligibility for the Oregon Promise for new applicants with expected family contributions of $18,000 or greater, and pulling back about 1,550 awards that were previously announced.
- Oregon National Guard Tuition was reduced by $2.5 million. This reduction can be absorbed by the program, and will not adversely affect awardees.
- Oregon Opportunity Grant expenses were shifted onto Other Fund tax credit revenues to save General Fund dollars. Students will not be impacted by this change this biennium, but it may increase the variability of OOG and could affect future awarding strategies.

Public University Programs:
- Outdoor School Program was reduced by $2.27 million.
- Public University State Programs were reduced by $824,000.
- OSU Agricultural Experiment Station was reduced by $1.9 million.
- OSU Extension Services was reduced by $1.4 million.
- OSU Forest Research was reduced by $285,000.
- OHSU's Rural Health and Child Integrated Dataset Programs were reduced by $330,000.

HECC Operations:
- Reduced GED grant funds by $350,000.
- Eliminated five vacant positions in the agency for a total of $578,366.
- Shifted $142,659 funds from General Fund to Federal Funds.
- Reduced Services and Supply budget by $234,648.

New bonding authorizations at public universities:
- OIT: Boivin Hall Rehabilitation ($1.015 M XI-G; $18.27 M XI-Q)
- OSU: Arts and Education Complex ($35.0 M XI-G)
- PSU: Science Building 1 ($7.5 M XI-G; $52.5M XI-Q)
- UO: Heustis Hall Renovation ($6.36 M XI-G; $50.88 M XI-Q)
- UO: Shake Alert ($7.5 M XI-Q).

Finally, the Legislature rescinded previously-approved bonding authorizations for Blue Mountain, Mt. Hood, and Umpqua Community Colleges due to lack of constitutionally required matching funds.

Additional special session updates will be detailed verbally at Thursday's meeting.

***<u>Federal Update</u>***

The State Higher Education Executive Officers Association provided information on the latest round of negotiations regarding the next stimulus bill. SHEEO reported that the current stimulus debate and resulting bill is expected to be the last prior to the federal elections. The two main legislative proposals, from House Democrats and Senate Republicans, each contain varying provisions.

The House Democrat proposal (HEROES Act), provides $90 B for education, $26 B of which is reserved for public higher education, and $4.5 B of which is state discretionary education funding. It provides an additional $10 B in funding for private institutions, FIPSE institutions, and minority serving institutions. The bill has a strong maintenance of effort requirement with no waiver. This requires states to maintain full time equivalent student funding at FY 19 levels.

The bill also seeks to provide relief to student loan borrowers by forgiving $10,000 in loans and extending the current interest-free repayment moratorium by one year.

The Senate Republican proposal (HEALS Act) provides $105 B for education, $29 B of which is for higher education. The bill distributes 85% of higher education funding to institutions on the basis of Pell full time equivalent students, with 10% going to Title III, V, and VII programs, and 5% to the US Department of Education (USDOE) for grants. The bill requires funds to be used similarly to prior federal emergency funds, which restricts use to student grants and to defray expenses associated with Coronavirus.

The proposal does not define the meaning of student, which may allow USDOE to make determinations relative to classes of students and their eligibility for funds. The bill also restricts high-endowment institutions to 50% of formula funding.

Finally, the bill allows the current pause on federal student loan payments to expire, and incorporates Sen. Lamar Alexander's (R-TN) proposal, typically a feature in discussions over the reauthorization of the Higher Education Act, to reduce the number of available student loan programs from 9 to 2 – limiting options to a 10-year standard repayment program and an income-based repayment plan that requires payments of 10% of an individual's income with allowances for necessities. Under the income-based plan, loans would be forgiven after 20 years for undergraduate loans.

An update on the status of negotiations may be provided verbally at the Commission meeting.

**Staff Recommendation:**

For discussion purposes only.