
Docket Item: 7.1 – Agency Request Budget Development (*as presented to the F&A Subcommittee June 12, 2024*)

Summary

Every even-numbered year the HECC, along with other executive branch agencies, develops an Agency Request Budget (ARB) for the upcoming biennium. These recommendations are considered by the Governor in the preparation of her Governor's Recommended Budget (GRB), which must be balanced to projected revenues and which serves as a starting point for the Legislature's consideration in the development of the Legislatively Approved Budget (LAB). Upon the Governor's signature, that budget will be effective for the biennium beginning July 1, 2025 and ending June 30, 2027.

HECC's ARB must be submitted by August 31, and the GRB must be presented by December 1, 2024.

Unlike many other state agencies, the HECC must develop its ARB through a public process overseen by the Commission. ORS 350.075(e) establishes that the HECC shall:

- (A) Each biennium, after receiving funding requests from the state's community colleges and public universities as authorized by law, recommend to the Governor a consolidated higher education agency request budget aligned with the strategic plan described in paragraph (d) of this subsection, including appropriations for:
 - (i) Student access programs;
 - (ii) Public universities listed in ORS 352.002, including but not limited to education and general operations, statewide public services and state-funded debt service;
 - (iii) Community colleges, including but not limited to education and general operations and state-funded debt service;
 - (iv) New facilities or programs;
 - (v) Capital improvements and deferred maintenance;
 - (vi) Special initiatives and investments; and
 - (vii) Any other program, duty or function a public university listed in ORS 352.002 is authorized to undertake.
- (B) In the development of the consolidated higher education agency request budget:
 - (i) Determine the costs necessary to provide quality post-secondary education;
 - (ii) Solicit input from educators, education policy experts, appropriate legislative committees, students and other persons interested in the development of the funding model; and
 - (iii) Solicit public input regarding educational priorities.

The full Commission is expected to provide final approval to the ARB at its meeting on August 8.

The ARB, GRB, and LAB share a common budget structure. For each state appropriation, Current Service Level (CSL) is determined by applying specific estimates of inflationary factors to the previously-approved (2023-25) LAB, by phasing out programs that were not intended to be ongoing, and by phasing in programs that the Legislature slated to begin. Adjustments to the CSL budget (positive or negative) are made through the adoption of Policy Option Packages (POPs). While CSL represents the vast majority of funds within the overall budget, the majority of legislative and gubernatorial attention typically focuses on POPs.

The budget structure is further complicated by the fact that the State of Oregon budgets separately for General Funds (derived primarily from state tax revenue), Other Funds (consisting primarily of fee revenues and inter-agency transfers), Lottery Funds (most of which are dedicated to particular programs), and Federal Funds (paid by the federal government to the State for specific purposes). Additionally, the State adopts a capital budget that represents borrowing for the limited purposes established by the Oregon Constitution. Because the HECC has relatively little influence over Other Funds and Federal Funds transfers/payments to the agency, the Commission typically focuses the majority of its budget development work on the General Fund budget and the prioritization of capital requests.

To enhance collaboration, utilize resources effectively, and support a shared and realistic understanding of the budgetary environment, Governor Kotek and the Department of Administrative Services (DAS) Chief Financial Office this year have engaged agencies earlier than usual in the budget development process. Based on the March and May revenue forecasts, the Governor has instructed most agencies to limit their requests for new General Fund spending (POPs) to 1% of their 2023-25 General Fund budget. While HECC staff have previously reported to the Commission that some categories of the HECC budget, such as institutional support funds, might not be subject to the 1% cap, the Governor's staff have recently clarified that at least for now they are subject to the limit. The Governor, through her staff, has also recently indicated her support for HECC Policy Option Packages related to IT Modernization, the Early Learning Professionals Grant, and the Oregon Opportunity Grant. The Governor's staff have also expressed that they welcome feedback and recommendations regarding funding levels, prioritization of POPs, and any additional information the HECC determines is important in the creation of ARB and GRB.

On June 12, the Funding and Achievement Subcommittee reviewed information and recommendations related to the Agency Request Budget, organized by general budget category (financial aid and access, workforce development, college/university support, college/university capital, etc.). An overview of that material is included here as items 7.1a and 7.1b.

Docket Material

7.1a ARB spreadsheet

7.1b ARB Complete Policy Option Packages list

Staff Recommendation

For discussion only. Final adoption at August 8, 2024 Commission meeting.