
Docket Item: 6.1 - ACTION ITEM: 2025-27 Agency Request Budget

Summary:

Every even-numbered year the HECC, along with other executive branch agencies, develops an Agency Request Budget (ARB) for the upcoming biennium. The ARB is 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 Governor must present the GRB 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 HECC's Funding and Achievement Subcommittee met April 10, 2024 to review the budget development process, the HECC's budget categories, and its opportunities to influence outcomes through investments in financial aid, institutional support, capital infrastructure,

and grantmaking. On May 8, 2024 the Subcommittee received several hours of oral testimony from partners including the Oregon Council of Presidents, the Oregon Community College Association, the Oregon Student Association, faculty and staff, workforce development representatives, and the Oregon Alliance of Independent Colleges and Universities. The Commission and its staff also received formal written budget requests and information from the public universities and community colleges. On June 12-13, 2024, the Subcommittee and full Commission reviewed and provided feedback on initial HECC staff recommendations for the ARB, including the results of staff's analysis and ranking of capital project requests.

Today's materials include the final staff recommendations for ARB funding levels. In preparing these recommendations, staff have been guided by the Commission's strategic plan, partner testimony and priorities, and feedback from prior Commission meetings during the development of the budget. In addition, the staff recommendations adhere to budget instructions developed by the Governor and Chief Financial Office (CFO), including that the HECC limit its requests for new General Fund spending to 1% of its total 2023-25 General Fund budget, or about \$31 million. This limit was established in view of the requirement for the Governor to present a budget that is balanced to projected revenues. Finally, HECC's staff recommendations reflect the Governor's expressed support for HECC Policy Option Packages (POPs) related to IT Modernization, the Early Learning Professionals Grant, and the Oregon Opportunity Grant.

HECC's Budget Structure

The HECC's 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.

Docket Material

6.1a – Proposed 2025-27 ARB Funding Levels

6.1b – Proposed ARB Policy Option Packages descriptions

6.1c - Draft Letter to Governor re ARB

Staff Recommendation

Staff recommends that the HECC approve submission of the HECC's 2025-27 Agency Request Budget levels as presented, and that it authorize staff to finalize and submit the narrative portions of the ARB without subsequent Commission approval.

Recommended Motion

Move to approve submission of the HECC's 2025-27 Agency Request Budget levels as presented, and authorize staff to finalize and submit the narrative portions of the ARB without subsequent Commission approval.