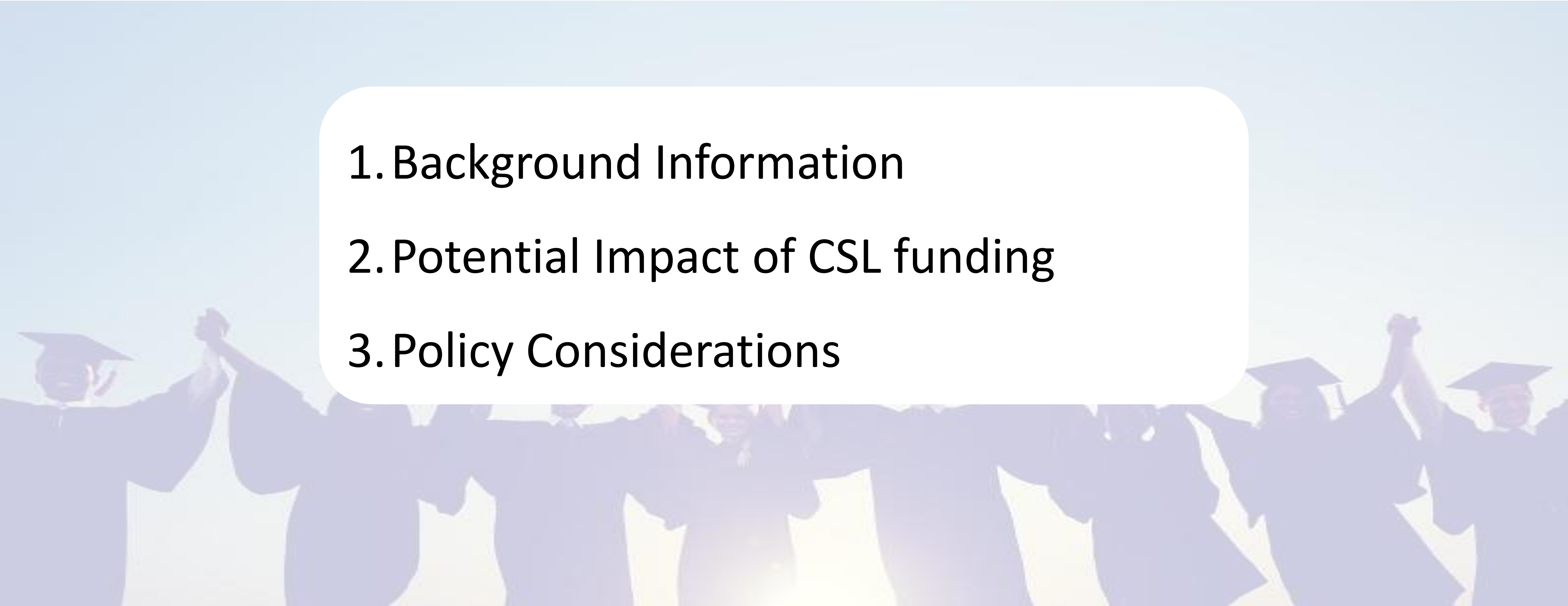
HIGHER EDUCATION COORDINATING COMMISSION

2027-29 Agency Request Budget Review

Funding and Achievement Subcommittee Docket Item 4.0a

June 2026

Presentation Overview



1. Background Information
2. Potential Impact of CSL funding
3. Policy Considerations

Phases of the Budget Process

Agency Request Budget (ARB)

Developed in even years. DAS CFO provides guidelines.

Governor's Request Budget (GRB)

Reflective of Governor's priorities, budget policies, and current law. Available in December.

Legislatively Adopted Budget (LAB)

Enacted laws make up the LAB. Agencies execute the budget over the biennium.

ORS 350.075 (3) (e) charges the HECC, after receiving funding requests from the community colleges and public universities, to recommend to the Governor a consolidated higher education budget aligned with the strategic plan.

Commission Touchpoints

Current Service Level (CSL) ± Policy Option Packages (POPs) = 2027-29 HECC ARB

December 2025
Budget Development Timeline

April 2026
Budget policy discussion with initial LCs and POPs

May 2026
Partner perspectives and feedback

June 2026
ARB review with approved LCs and POPs

August 2026
ARB Adoption

The objective is to provide a review of the emerging ARB in support of the HECC's expected adoption in August.

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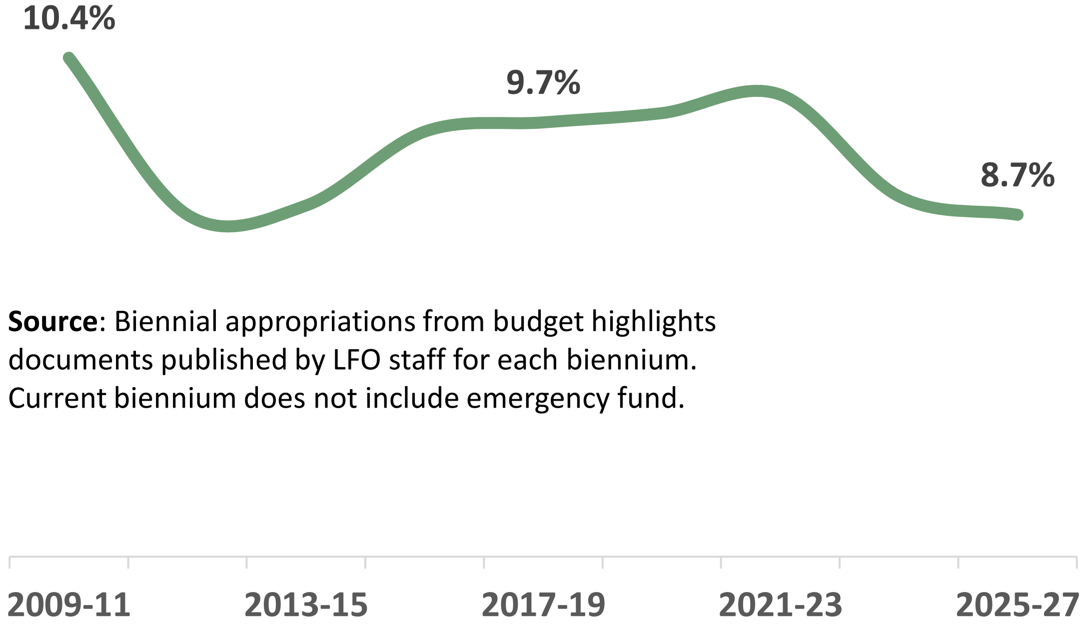
Public Investment in Oregon Higher Education

Oregon's total public investment in higher education is 29% below the national average and ranks 37th.

Tuition and fee revenue is 54% of total revenue, compared to 38% nationally.

Adjusted for inflation, public funding per FTE is down 8.5% since 2001.

Portion of State Budget



Source: Biennial appropriations from budget highlights documents published by LFO staff for each biennium. Current biennium does not include emergency fund.

Note: Public funding per FTE includes all state and local support for public higher education operating expenses, excluding financial aid for students attending independent or out-of-state institutions, research, hospitals, and medical education.
Source: 2025 State Higher Education Finance (SHEF) Report, Tables 3.2, 3.2A, 3.3, 4.1, and 4.3.

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Economic Outlook

- *GDP growth is softer (1.6%), the inflation overshoot is becoming entrenched (4.4%), the rate of unemployment is little changed (4.7%), and the recession estimate remains low.*
- Forecasters remain constructive, but the oil price shock mutes upside potential.

Revenue Forecast

General Fund ($ Millions)	COS 2025	2025-27	2027-29
Personal Income Tax	30,247	30,120	35,988
Corporate Income Tax	3,431	3,588	3,828
All Other Revenues	2,082	2,506	2,238
Gross Revenue	**$35,760**	**$35,913**	**$42,055**
Source: Tables R.1 and R.3 Note: COS = close of session			

Source: Oregon Economic and Revenue Forecast, May 20, 2026, Volume XLVI, No 2.

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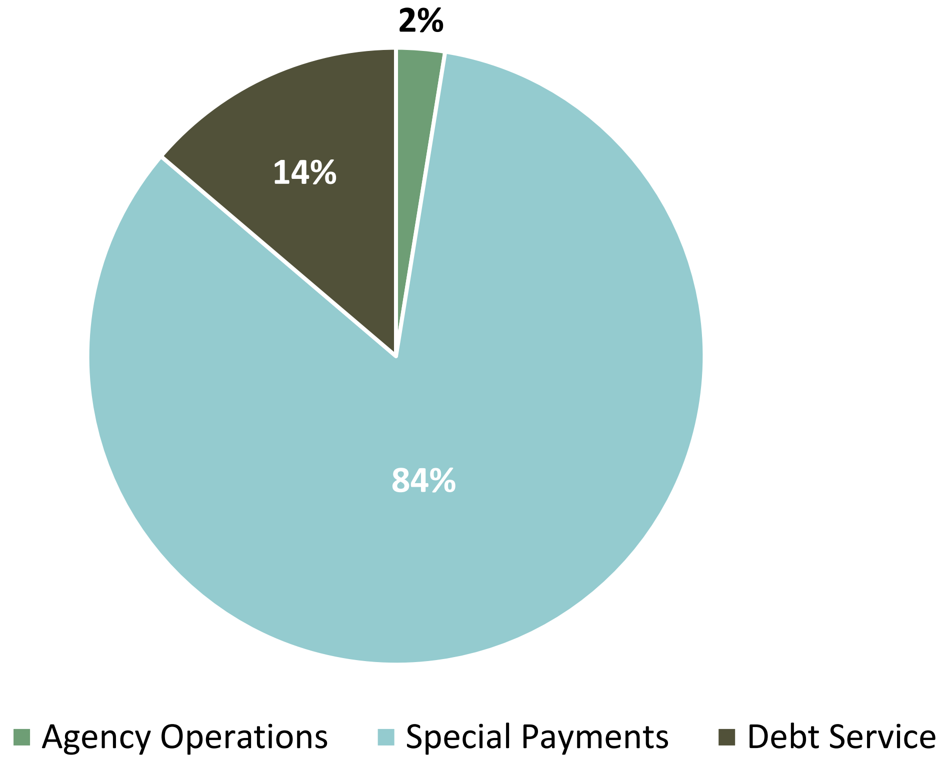
2027-29 Budget Instructions

ARB development is conducted in alignment with instructions received from the Governor and Oregon Department of Administrative Services (DAS).

- Due to forecasted constraints, agencies are required to develop revenue-neutral POPs. The focus is on programs core to each agency's mission.
- Limited exceptions exist. Agencies can consider identifying future investments tied to the strategic plan.
- Standard inflation is 4.9% with professional services at 9.3%. The vacancy savings rate is 5% of salaries and wages.

HECC Budget, 2025-27



- Of the agency's $4.4 billion budget, special payments to partners for institution support, student financial aid, workforce programs, capital construction, and debt service, make up 98% of the total.
- Debt service is driven by capital construction funding decisions.

Type of Funding:

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Current Service Level (CSL)

What is CSL?

A point in time estimate of the projected cost to maintain current biennium programs in next biennium.

How is it calculated for institution support?

Calculated by DAS CFO using a blended rate that assumes the standard inflation for non-state employee personnel and adjusts for increases in health, retirement, and pension bond debt.

State Agency Budget Build:

2025-27 Budget

+/- statewide adjustments: position actions, debt service, etc.

= 2027-29 Base Budget

+/- vacancy factor, phased-in or phased-out programs, ***inflation***, and technical adjustments

= 2027-29 CSL

+/- policy option packages (POPs)

= 2027-29 ARB

CSL is a key building block of the state's base plus budget approach.

Agency Operations

Amounts in $ thousands. All Funds.	2025-27 LAB	2027-29 CSL	+ POPs	= 2027-29 ARB	*Variance, ARB to LAB*	
Personnel	65,310.9	65,514.2	(5,038.0)	60,476.2	(4,834.7)	(7%)
Services, Supplies	48,063.2	43,298.6	5,483.9	48,782.5	719.3	1%
Special Pay	34,367.2	36,788.2	(8,828.9)	27,959.3	(6,407.9)	(19%)
Capital Outlay	-	-	5,350.0	5,350.0	5,350.0	100%
Total	**$147,741.3**	**$145,601.0**	**($3,033.0)**	**$142,568.0**	**($5,173.3)**	**(4%)**
FTE	122.1	120.6	4.0	124.6	2.5	2%

- Within CSL, funding for the modernization project was phased out.
- POP 101 is included for the third part of the modernization project and POP 104 is included which involves adding a Senior Analyst position with funding offset by data systems savings.

Student Grant Aid Programs

Amounts in $ thousands. All Funds.	2025-27 LAB	2027-29 CSL	+ POPs	= 2027-29 ARB	*Variance, ARB to LAB*	
OOG	329,371.2	345,510.4	-	345,510.4	16,139.2	5%
OPG	47,307.6	49,636.9	-	49,636.9	2,329.4	5%
ONGSTA	5,540.0	5,717.7	-	5,717.7	177.7	3%
OTSG	26,038.7	27,287.3	-	27,287.3	1,248.7	5%
Other	26,156.9	27,340.2	-	27,340.2	1,183.3	5%
Total	**$434,414.2**	**$455,492.5**	**-**	**$455,492.5**	**$21,078.3**	**5%**
FTE	22.0	22.0	-	22.0	-	-

KEY:
OOG = Oregon Opportunity Grant
OPG = Oregon Promise
ONGSTA = Oregon National Guard Assistance
OTSG = Oregon Tribal Student Grant

- CSL for financial programs is 4.9% for general inflation. ONGSTA is slightly different due to staffing changes.
- Staffing in OSAC for administering these programs is unchanged.

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Potential Impact on State Grant Aid Programs
Oregon Opportunity Grant (OOG)

- **Earlier filing dates** disproportionately impact community college students and first-generation students.
  - 2024-25 filing cutoff date was 8/1/2024.
  - 2025-26 filing cutoff date was 5/1/2025.
  - 2026-27 tentatively established as 3/15/2026.
- The **student aid index (SAI) limit** has been set at $8,000 since 2022-23.
- Max OOG awards have increased modestly but **reduced purchasing power** remains when combined with stagnant max Pell awards.
  - 2024-25 max OOG award amounts – CC: $3,900, 4-YR: $7,524
  - 2025-26 max OOG award amounts – CC: $4,272, 4-YR: $7,800
  - 2026-27 max OOG award amounts – CC: $4,320, 4-YR: $8,352

Impact of CSL on State Grant Aid Programs
Other Programs

- **Oregon Promise Grant (OPG)**

  Implementation of SAI limits for several years. The SAI limit for this year is $18,000 which includes middle income families, not high-income families. The same is expected for the 2026-27 year.

- **Oregon National Guard Student Tuition Assistance (ONGSTA)**

  Limited to award tuition only. Will not provide book, supplies or fee stipends.

- **Oregon Tribal Student Grant (OTSG)**

  Implementation of application deadline for the 2025-26 and 2026-27 aid year.

- **Childcare**

  HECC staff cannot award all eligible applicants with CSL funding.

Workforce Programs

Amounts in $ thousands. All Funds.	2025-27 LAB	2027-29 CSL	+ POPs	= 2027-29 ARB	*Variance, ARB to LAB*	
WIOA Title I	134,002.2	139,454.4	(139,454.4)	-	(139,454.4)	(100%)
Future Ready	88,592.5	11,970.7	-	11,970.7	(76,621.7)	(86%)
Oregon Youth Works	39,146.0	37,449.9	-	37,449.9	(1,696.1)	(4%)
Oregon Serves	9,948.5	10,546.6	-	10,546.6	598.1	6%
Total	**$271,689.1**	**$199,421.7**	**($139,454.4)**	**$59,967.2**	**($211,721.9)**	**(78%)**
FTE	37.25	30.5	(13.0)	17.5	(19.75)	(53%)

- Within CSL, Future Ready was phased-out and a fund shift for Oregon Conservation Corps.
- POP 103 is included which involves the transfer of 15 positions, including 2 in Operations, and funding for the Workforce Innovation and Opportunity Act (WIOA) Title 1, the Workforce Talent Development Board, and related GF programs to the Oregon Employment Department.

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Supports Alignment between Education and Workforce and Economic Development Priorities

- Aligning Oregon’s workforce ecosystem partners
- Identifying skills standards and high-value, stackable credentials
- Identifying barriers to equitable participation in education and employment
- Advancing promising practices and strategies
- Integrating workforce supply and demand data

HECC CSL Ends Investment in Workforce Ready Grants

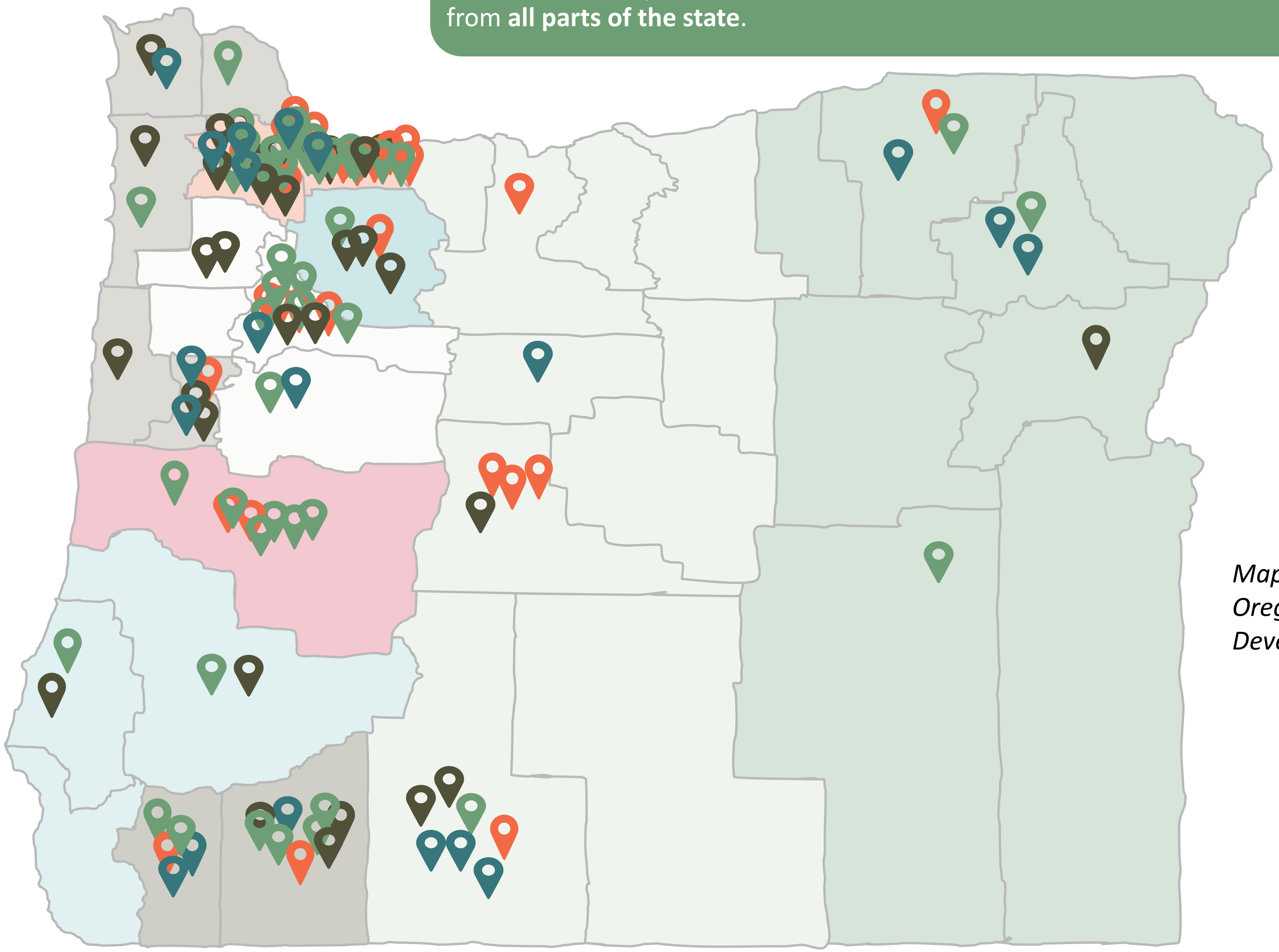
Approximately **$90 million** awarded to **134 projects** across three funding cycles from 2022 through 2024. Projects advance career pathways in healthcare, manufacturing, and technology. Grantees include community-based organizations, community colleges, public and private universities, local workforce development boards, school districts, and other education and workforce service providers from **all parts of the state**.

Key: Projects by Sector

- 50 healthcare projects
- 35 manufacturing projects
- 21 technology projects
- 27 projects - multiple sectors (2022 & 2023 rounds)

Each pin represents a different grant-funded project. Pins are located approximately at the physical address of each grantee organization.

***Each project serves a region larger than the pin location**, whether a single county, multiple counties, or all counties across the state; **59% of all projects serve two or more counties, including 11 statewide projects**.*



Map color-coded to represent Oregon's nine Local Workforce Development Board regions.

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Benefits Youth and Communities via Youth Workforce Investments

4,363

Work experiences provided to youths and young adults through Oregon Youth Employment Program (OYEP), Oregon Conservation Corps (OCC), and Oregon Youth Corps (OYC)

5,954
Certifications earned

243
Zip codes served

~$7.7M
wages earned

60%
Youth were in their first work experience

90%
Youth completed their program

48.8%
youth experiencing economic hardship

5,548
Acres treated by OCC crews

$678k
Provided to OYEP youth for essential needs

62%
OYC participants from rural & frontier communities

- ✓ Paid work experiences
- ✓ Workforce training
- ✓ Career exposure
- ✓ Academic support
- ✓ Employability skills

Note: Data reflect the 2023-2025 biennium.

Supports Volunteerism and Civic Engagement through OregonServes

Impact on AmeriCorps Members

321
AmeriCorps members served in Oregon and gained work experience

$1.7 million
in education awards earned by AmeriCorps volunteers

196
AmeriCorps service sites

Impact on Students

41,108
children and youth benefited from services provided by AmeriCorps members

12,895
youth received environmental stewardship education

3,737
students received college enrollment and graduation support

Impact on Communities

320
community members received job training

40,241
hours of service contributed by AmeriCorps member recruited volunteers

$8.2 million
leveraged by AmeriCorps for local communities

Note: Data reflect the 2022 and 2023 program years.

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Institution Support

Amounts in $ thousands. All Funds.	**2025-27 LAB**	**2027-29 CSL**	**+ POPs**	**= 2027-29 ARB**	***Variance,*** *ARB to LAB*	
Public University	1,415,730.1	1,543,286.3	-	1,543,286.3	127,556.2	9%
Community College	870,400.0	1,024,128.8	-	1,024,128.8	153,728.8	18%
OHSU	147,077.6	160,113.3	-	160,113.3	13,035.7	9%
Capital	529,547.85	-	684,800.0	684,800.0	155,252.1	29%
Debt Service	632,668.0	632,973.3	-	632,973.3	305.3	0%
Total	**$3,595,423.5**	**$3,360,501.6**	**$684,800.0**	**$4,045,301.6**	**$449,878.0**	**13%**
FTE	5.0	5.0	-	5.0	-	-

- CSL inflation for the public universities is 9.3% including PUSF, state programs, SWPS, and OHSU. It is 17.8% for the colleges. Five programs were phased out including TRU sustainability.
- Staffing in PFC for administering these dollars is unchanged.

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CSL Methodology – Institution Support Funding

Challenges

- Without access to detailed position level data, DAS-CFO uses the cost inflation rate for non-state employees as a starting point.
- CSL for state agencies does not include second-year merit and COLA increases which are later paid by a special purpose appropriation.

Calculation Methodology

- CSL for institution support is based on the standard inflation rate for non-state employees then adjusted for estimates of actual cost for health, retirement, and pension obligation bond debt.
- The current blended rate approach first began in 2010 and is calculated by DAS.

2027-29 Calculations

- The CSL rates for the 2027-29 biennium are higher than the recent past largely due to PERS rates and the reduction in side account rate offsets.

Recent CSL Rates by Sector

	Public Universities	Community Colleges (GF Only)	Non-state Employee Cost Rate
2021-23	5.9%	4.4%	5.7%
2023-25	7.9%	9.3%	8.8%
2025-27	7.0%	7.4%	6.8%
2027-29	9.3%	17.8%	**9.3%**

- The CSL rates for the 2027-29 biennium are higher than in the recent past.
- Due in part to a larger non-state employee personnel cost rate of 9.3% as included in the DAS-CFO budget instructions.
- This serves as a base upon which the rest of the CSL is built since *Other Personnel Services*, to which this cost growth applies, is the largest expense component.

Additional details can be found in the *CSL Calculations for Higher Education Support Funds, 2027-29 Biennium*.

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PERS Growth Rate – Public Universities

	2025-27	2027-29	Increase
Blended Employer Contribution Rate	25.17%	24.70%	
Side Account Rate Offset	(3.64%)	(0.62%)	
Net Employer Contribution Rate	21.53%	24.08%	11.84%
Non-state personal rate			**+9.30%**
Total Growth Rate			**=21.14%**

- The blended employer rate declines slightly in the next biennium. This is the combined rate for all public universities.
- The side account rate offset declines offering less rate protection. Due to maturing pension obligation bonds.
- As a result, the net employer contribution rate grows by 12%.

Additional details can be found in the *CSL Calculations for Higher Education Support Funds, 2027-29 Biennium*.

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PERS Growth Rate – Community Colleges

	2025-27	2027-29	Increase
Blended Employer Contribution Rate	25.49%	25.03%	
Side Account Rate Offset	(13.01%)	(5.01%)	
Net Employer Contribution Rate	12.48%	20.02%	60.42%
Non-state personal rate			**+9.30%**
Total Growth Rate			**=69.72%**

- The blended employer rate declines slightly in the next biennium. This is the combined rate for all colleges.
- The side account rate offset declines offering less rate protection. Due to maturing pension obligation bonds.
- As a result, the net employer contribution rate grows by 70%.

Additional details can be found in the *CSL Calculations for Higher Education Support Funds, 2027-29 Biennium*.

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Net Employer Rates by College, OPSRP General Service

College	2025-27 Actual	2027-29 Advisory	Variance
Blue Mountain	9.74%	25.71%	164%
Central	20.37%	25.71%	26%
Chemeketa	5.18%	17.77%	243%
Clackamas	9.33%	17.76%	90%
Clatsop	16.38%	25.71%	57%
Columbia Gorge	21.06%	25.71%	22%
Klamath	25.31%	25.71%	2%
Lane	0.00%	17.37%	100%
Linn Benton	15.73%	25.71%	63%
Mt. Hood	3.83%	18.36%	379%
Oregon Coast	20.82%	25.71%	23%
Portland	7.06%	18.25%	158%
Rogue	5.76%	16.77%	191%
Southwestern	10.10%	25.71%	155%
Tillamook Bay	19.99%	25.71%	29%
Treasure Valley	6.14%	25.71%	319%
Umpqua	8.07%	18.16%	125%
Average	**12.05%**	**22.44%**	**86%**

- The 2027-29 advisory rates, issued December 2025, vary dramatically by college. Overall, the net employer contribution rate for OPSRP general service employees is expected to increase 86% next biennium on average. Nine are over 100%.
- For comparison, the public universities are increasing from 21.9% to 25.7% on average. An increase of 18%.

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2027-29 HECC ARB

Amounts in $ thousands. All Funds.	2025-27 LAB	2027-29 CSL	+ POPs	= 2027-29 ARB	*Variance, ARB to LAB*	
Personnel	65,310.9	65,514.2	(5,038.0)	60,476.2	(4,834.7)	(7%)
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Capital Outlay	-	-	5,350.0	5,350.0	5,350.0	100%
Debt Service	612,966.3	612,966.3	-	612,966.3	-	0%
Special Pay	3,722,927.7	3,439,237.7	536,516.6	3,975,754.3	252,826.6	7%
Agency Total	**$4,449,268.1**	**$4,161,016.8**	**$542,312.5**	**$4,703,329.3**	**$254,061.2**	**6%**
FTE	186.3	178.1	(9.0)	169.1	(17.2)	(9%)

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Positive Impacts of State Funding

Institution Support Funding

- Additional state funding increases the likelihood of students transferring, increases the odds students will earn a credential, and decreases the likelihood of loan defaults.
- Increases in funding improve completion rates for diverse student populations.

Student Financial Aid Funding

- Allows students to remain enrolled, persist, and succeed at higher rates.
- Evidence suggests that for every additional $1,000 in grant aid, degree completion increases approximately 2.5%.

Workforce Funding

- Results in an adult employment rate of 68% and a credential attainment rate of 75%. Intensive services increased participant earnings by an estimated 7 – 20%.
- State investments typically offer more flexibility than federal funds.

Cummings, et al. *Investigating the Impacts of State Higher Education Appropriations and Financial Aid.* SHEEO, May 2021.
Mathematica Policy Research, *Providing Public Workforce Services to Job Seekers: 30-month Impact Findings*, May 2017.

Strategic Alignment

States cannot fund every priority. Decisions made about how to allocate scarce resources can propel progress or create unintended consequences. Focus on students, outcomes, and value.

Address structural challenges and identify systemwide solutions.

Rather than providing temporary relief, help institutions evolve, innovate, and adapt. Strengthen the state's overall capacity to serve students effectively.

Center the needs of underserved students/regions.

Target resources strategically and not uniformly to account for differences in institutional capacity, student need, and access. Do so based on current value and impact, not precedent.

Strive for balance and flexibility.

Give institutions implementation flexibility while maintaining accountability for shared goals. Garner stakeholder buy-in through collaboration.

Source: Building Sustainable and Effective Higher Education Finance Systems, Principles for Student-Centered, Value-Focused Policymaking, HCM Strategists, March 2026.

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