Agency Request Budget "Pipeline"

While the Governor's 2027-29 budget instructions place strict limits on the amount of new funding that agencies may request via Policy Option Packages, agencies have been encouraged to include within our budget narrative "future investments tied to the goals and objectives in the agency's strategic plan." While these should not be a focus for 2027-29 budget development, they are an opportunity to acknowledge the medium- to long-term needs of our programs.

The following draft narrative is recommended for inclusion in the HECC's 2027-29 Agency Request Budget.

HECC is charged with making a budget recommendation that achieves the state goals for higher education. While achieving state goals is not a function of funding alone, Oregon's status as a state that makes relatively little public investment in higher education undoubtedly inhibits our progress. The most obvious consequence of Oregon's insufficient public investment is the relatively high cost that Oregon students bear for higher education. Tuition at Oregon public institutions is higher, on average, than in any other state in the Western US. And, while Oregon has made notable strides in grant aid for low-income students, affordability remains the single largest barrier to raising enrollment, persistence, and completion rates. Other ways that Oregon's relatively low public investment in higher education may affect outcomes include, but are not limited to: (a) insufficient levels of student support/advising/counseling; (b) reduced course/program availability and larger course sizes; (c) outdated course equipment, technology, and facilities; (d) more difficulty hiring and retaining outstanding faculty and staff; (e) less support for research and innovation that can help engage students, support employers, and drive economic growth; and (f) less responsiveness to local and state workforce needs.

HECC has not recently attempted to determine precisely what combination of additional investments in institutional support and student grant aid would maximize our progress toward state goals. Until an updated analysis can be completed, we use national averages as a yardstick for per-student spending. It is reasonable to assume that Oregon's *higher*-than-average goals for postsecondary education will require at least *average* levels of public investment to reach, especially given Oregon's relatively high costs of living. The US average for state and local investment in public postsecondary education is $12,082 per FTE. In Oregon, it is $8,580.

Additionally, we estimate that to meet Oregon's goals will require increasing the number of enrolled students to levels comparable to higher-enrollment states. The ten highestenrollment states – Utah, Texas, North Dakota, California, North Carolina, Arizona, Kansas, Mississippi, Georgia, and Alabama – in 2024 collectively enrolled the full-time equivalent of 15.8 percent of their 18-34 year old population in public postsecondary institutions. In Oregon, that figure was 10.1 percent.

Together, this data implies that Oregon should more than double its budget for public higher education. In other words, if Oregon's FTE enrollment, expressed as a proportion of its 18-34 year old population, equaled the top 10 states, and Oregon spent the US average per student on higher education, state and local funding would rise to $2.5 billion per year, compared with about $1.2 billion today. By sector, and using the same methodology, this would mean:

- About $1.0B per year of state and local funding for community colleges, an increase from today of $366M (55%).
- About $1.3B per year of state funding for public universities, an increase from today of $700M (117%).
- About $288M per year of state funding for student grant aid, an increase from today of $126M (77%).

These figures are large. They suggest the need for $2-3 billion per biennium of additional public investment in higher education to achieve state goals. Oregon should begin a multi-biennium process of reaching this target.

To be clear, increasing funding to these levels would not automatically produce outcomes akin to those found in the nation's highest-performing states. Policy and culture, among other forces, also matter. But this analysis is suggestive of the public resources that will be required to address many of the systemic barriers noted above that inhibit Oregon's ability to serve more students, equitably. Under the right policy conditions, these investments would dramatically improve affordability, increase workforce and career relevance, improve program and course options, strengthen research and innovation, and drive economic growth.

In addition to these core investments in institutions and learners, the HECC's budget pipeline also includes:

- Strengthened incentives for in-demand credentials. Establishes an incentive program for Oregonians who complete postsecondary credentials in high-demand fields and become employed in Oregon in a high-demand industry or occupation. Estimate: $15M per biennium.

- Tools for stronger institutional partnerships and clearer student pathways, including funding for a transfer student portal, an online course sharing platform, a state-coordinated direct admissions system, and ongoing support for shared administrative services among institutions. Estimate: $50M per biennium.