HECC General Fund Budget Reduction Plan, CFO/DAS: Summary

Background

- In anticipation of significant revenue declines, Governor Brown directed the Department of Administrative Services to begin work on an allotment reduction plan of up to $1.847 billion statewide. Agencies were required to submit prioritized reduction plans to reduce their General Fund budgets by 8.5 percent for this biennium. These documents will help inform the Governor about budget decisions the state could take to address anticipated shortfalls. For background on this exercise, see Governor Brown’s press May 11, 2020 Statement on the State Budget here.

- Agency reduction plans are a planning exercise only at this point. Whether the state needs to implement cuts will be dependent on several factors — especially additional federal funding, as well as the exact details of the May 20 revenue forecast.

- The HECC submitted its plan on May 8 to the DAS Chief Financial Office as requested. This includes a plan for General Fund reductions in all elements of the state postsecondary education budget administered by the HECC including: state funding for state-administered financial aid, Oregon’s 17 community colleges and 9 Local Workforce Investment Boards, Oregon’s 7 public universities and the Oregon Health & Science University (OHSU), statewide programs, workforce programs, as well as HECC agency operations, grants and contracts. The HECC plan would reduce the $1.95 billion dollar 2019-2021 biennium General Fund dollars in the HECC budget by $166M.

- The 8.5 percent dollars for the biennium are described in the plan. However, because we are in the second half of the biennium, the reductions on each budget item would have to be taken on remaining dollars so would be an approximately 17 percent reduction to the remaining biennial budget, or even a greater percentage for programs that spent more in the first half of the biennium.

Specific Fund Reductions and Impact

The reductions would have a severe impact on students, employees, and programs of the institutions of higher education and workforce programs in Oregon. The following summary does not include all budget items in the HECC budget; see the full list on our website here: HECC DAS/CFO General Fund Budget Reduction Exercise, May, 2020

- The largest program funds in the HECC budget are the Community College Support Fund, the Public University Support Fund, and the Oregon Opportunity Grant. Reducing state funding for community colleges, public universities, and grant aid by across the board cuts of this magnitude in one year would result in significant budget shortfalls requiring difficulty decisions at the institutions.
The Public University Support Fund program, which funds instruction, operations, and research at the public universities, would be reduced by $71.1M.

The Community College Support Fund, which funds instruction and operations of Oregon’s 17 community colleges, would be reduced by $54.5M.

The Oregon Opportunity Grant, Oregon’s need-based financial aid program, would be reduced by $9.3M.

- **IMPACT OF COLLEGE/UNIVERSITY SUPPORT FUND CUTS:** Since the colleges and universities have a limited set of options when faced with revenue shortfalls, the reduction would likely result in a combination of these scenarios: reduction of institutional operating expenses, freezing or delaying hiring, reduction of compensation or staffing levels, delaying projects, curtailing or eliminating programs, offsets reductions with alternative revenues when possible, and raising tuition and fees.
  - Our most recent estimates show that if this reduction was replaced with tuition, the tuition increases could range from 5-25% at the public universities, and 2-7% at the community colleges, on top of those already proposed for the upcoming academic year.
  - Reductions in staffing, furloughs, or other personnel strategies could result in lower retention rates and reduced completion efforts.

- **IMPACT OF OOG PROGRAM CUTS:** The OOG cuts would exacerbate college affordability challenges which are already significant. The reduction in the OOG will reduce available grants to thousands of the highest need/lowest income and most underserved student population that depend on the OOG to attend college, this at a time when their household income and resources have been severely impacted by COVID-19.

- **OTHER PROGRAMS THAT WOULD BE IMPACTED BY REDUCTIONS INCLUDE:**
  - Other HECC-administered state funded financial aid and access programs supporting college and career access and affordability including: the Oregon Promise (which would result in revoking or rescinding grants to thousands of students who are already anticipating an Oregon Promise award to attend a community college); the Oregon National Guard State Tuition program; and Oregon ASPIRE college and career mentoring program.
  - Oregon’s workforce board payments: this would reduce funds needed for our state’s response to the pandemic for those who have filed for unemployment and the businesses that have filed layoffs, including industry engagement and work experience/trainings.
  - State programs through which the public universities support research, agriculture, forestry, and community needs statewide, including: Statewide Public Service Programs including: The Agriculture Experiment Station, Extension Service, Forest Research Laboratory, and others.
  - Oregon Health & Science University (OHSU) statewide programs including: OHSU School of Dentistry, School of Nursing, and Rural Health Programs; OHSU Child Development and Rehabilitation Center (CDRC); and Oregon Poison Center.
  - HECC agency operations, resulting in eliminating or reducing funds for 15 employee positions, reducing spending on contracts, travel, training, and supplies, and using federal funds where permissible. The HECC agency programs and effectiveness in coordinating higher education policy and managing postsecondary funds statewide would diminish.