

Financial Update: FY'21 and FY'21-'23 Biennium

September 17, 2020

Board of Directors Work Session

Federal Action

Fourth COVID-19 Relief Package stalled in Congress

- Senate Republicans & House Democrats have both put forth proposals to counteract the economic effects of COVID-19
- The HEALS (Republican Proposal) and HEROES (Democrat Proposal) ACTS have significant differences that will require additional negotiation across party lines
- \$29 billion - Higher Education (HEALS)
- \$37 billion – Higher Education (HEROES)
- Negotiations could stall until after the election, even into calendar year 2021
- **GOOD NEWS: All Budget Proposals include funding for Higher Education**

Federal Action

President Trump signs series of four “Executive Orders” on COVID-19 Relief in August:

- **Student Loan Repayment**
 - Extends suspension of Federal Student Loan payments and Interest Accrual until December 31, 2020
- **Payroll Tax Deferrals (Not Forgiveness)**
 - Temporarily suspends Withholding, Collection, and Deposit of Employees’ Share of Payroll Taxes From September 1 - December 31, 2020 at Employers’ Option
- **Unemployment Aid**
 - \$300 in additional weekly federal aid as an unemployment benefit without a state contribution required. Oregon is approved to participate. Payments will be retroactive and are expected to last three to five weeks depending on disaster relief funding.
- **Evictions**
 - Consider an Eviction Ban For Renters if funds can be determined

Each of these actions may face legal challenges as changes on taxation and spending must come from Congress

PCC Federal COVID-19 Relief Funds

Received under Federal CARES ACT:

- \$6.2 M – HEERF Emergency Financial Aid Grants to Students
- \$6.2 M – HEERF Institutional Portion Funds
- \$625 K – Strengthening Institutions Program (SIP)

Awaiting from State of Oregon under Federal CARES ACT:

- Governor's Emergency Education Relief Fund (GEER Fund) to Public Universities and Colleges
 - Student Directed Funds for immediate Financial Needs
 - Housing, Food, Technology Needs
 - Allocation will look at under-represented students (\$6M Pool)
 - Online Quality Improvement Grants
 - Minimum Amount + Headcount Allocation (\$2.5M Pool)

PCC Federal COVID-19 Relief Funds

Can be applied for under Federal CARES ACT:

- Institutional Resilience & Expanded Postsecondary Opportunity (IREPO) Grant Program
 - Competitive Grant Program under FIPSE (Greatest Unmet Needs Related to COVID-19)
 - Can be used for:
 - Resuming Operations
 - Supporting Students
 - Reducing Disease Transmission
 - Developing more agile delivery models (Distance Learning) for Students
- \$28M Available; Average Individual Award \$1.5M

Oregon Action

- **Community College Support Fund (CCSF)**
 - August 10th Special Legislative Session protected Full FY 2019 -2021 Community College Support Fund (CCSF) Allocation for Community Colleges
 - Legislators recognized that Community Colleges and Public Universities had already suffered significant cuts in lost revenue
- **Oregon Opportunity Grant**
 - Expenses were shifted to Other Fund tax credit revenues instead of GF
 - No changes in allocation this year
 - Students will not be impacted by cost shift this biennium
- **Oregon Promise**
 - Now limited to students whose families have an Expected Family Contribution (EFC) of \$22,000 or under
 - Late change from EFC of \$18,000 or under

Enrollment/Tuition Projections – FY'21

Current FY'21 Fall Enrollment: Down 12.1% (Total FTE-one week prior to Term start)

– Variables Affecting Enrollment:

- Vaccine Release Date
- State Economic Forecast
- Students' Ability to Pay
- Tuition Bad Debt
- Availability of various Student Financial Supports (Grants, Loans, Etc.)

Enrollment/Tuition Projections – FY'21

- Budgeted Tuition Revenue = \$85.9 Million
- Potential Enrollment Shortfall = 10%-30% in FTEs
- Equals approximately \$10.7 to \$22.2 Million in potential Reduced Tuition Revenue for FY'21
- Fall Enrollment/Tuition Revenue may not shake out until November

PCC FY'21 Financial Plan - Actions

PCC Actions To Be Taken in FY '21:

- Suspension of College Travel (Continuation from FY 2019-2020)
- Hiring Freeze for General & Auxiliary Funds (Continuation from FY 2019-2020)
- Constriction in Org Spending based on FY 2019 – 2020 spending patterns
- Accumulation of Savings to assuage Expected Loss in CCSF for Next Biennium

Planning for FY 2021-2023 Biennium PERS

Oregon PERS Update – Supreme Court Action

- In the James v. State of Oregon lawsuit the Oregon Supreme Court upheld the changes made in SB 1049 (2019)
 - Upheld the re-direction of a percentage of the amounts employees' contribute to their Individual Account Program (IAP) accounts to a new account within the PERS system
 - Tier 1, Tier 2 employees 2.5%
 - OPSRP employees .75%
 - \$195,000 salary cap used to calculate an employee's Final Average Salary at Retirement
 - Anticipated savings from SB 1049 when passed in 2019 should be realized
 - Employer rates will remain at the lower rates reflecting the savings

Planning for FY 2021-2023 Biennium PERS

- PERS Rate Setting for FY 2021-2023 is based on the 2019 Valuation and **DOES NOT** take into account Market performance this year
- 2019 Actuarial Valuation will be used to set employer-specific contribution rates sometime in October
- Actuarial valuations are done annually; 2019 valuation is “rate setting” instead of “advisory”
- New contribution rates effective July 1, 2021 for the new biennium
- Current Investment Return Assumption of 7.2% will not be revisited for another year

Planning for FY 2021-2023 Biennium CCSF

September 2020 Oregon Economic & Revenue Forecast to be released on September 23rd

- General Fund Revenues & Other Revenues expected to be down \$4.4 Billion in 2021-2023 Biennium (June Forecast)
- Expectation that Revenue Forecast will be slightly improved with September forecast

Planning for FY 2021-2023 Biennium CCSF

Potential Funding Scenarios CCSF - A Range of Options for Consideration (Source: HECC)
All Funds

Reductions	Current	CSL	Base Funding (Agency Request Budget)
-8.5% to \$586.4M	\$640.9 million	+5.0% to \$673.2M	+10.2% to \$706.1M
Annual tuition increases above 10%	Use of fund balances ongoing	Annual tuition increases of 4-6%	Annual average tuition increases of 3.5% or less
Use of fund balance	Annual tuition increases of at least 7%	Potential use of fund balances	No use of fund balance
Reduction of programs, layoffs, furloughs and other staffing reductions	Program reductions, layoffs, furloughs and other staffing reductions	Potential staffing adjustments or program reductions	No new programs or staffing increases
Magnitude and mix of actions dependent on reduction amount			Additional 4,700 completions per year by 2023

Planning for FY 2021-2023 Biennium CCSF

- Community College Support Fund – HECC **Base Funding** Scenario
 - Base Funding is the amount needed to offer existing programming
 - Base Funding assumes no new programs or staff
 - An additional 4,700 completions in Associate Degrees and Workforce Certificates by 2023
- Community College Support Fund – **Current Service Level** Scenario
 - Used to model a 10% reduction for DAS (in budget instructions for State Agencies)
 - Used to model a 20% reduction for DAS

Planning for FY 2021-2023 Biennium CCSF

- Community College Innovation Grants
 - Competitive Grant Fund of \$35M with emphasis on innovative approaches to overcoming limitations of Remote Delivery
 - To increase equity in outcomes via new methods and technologies
 - Statewide ecosystem to increase upward mobility through innovations

Planning for FY 2021-2023 Biennium CCSF

- AUGUST 2020
 - HECC approves Agency Request Budget (ARB) and submits to Department of Administrative Services (DAS)
- NOVEMBER/DECEMBER 2020
 - Governor Brown issues Governor's Recommended Budget (GRB)
- JUNE 2021 (May Be Delayed)
 - Legislature establishes a Legislatively Adopted Budget (LAB) for the 2021-2023 Biennium

Questions?

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