From: salem_update-bounces@lists.oregonstate.edu on behalf of Mills, Jock
To: CAS DeanStaff; CAS Unit Leaders; Salem Update Listserv
Subject: [Salem Update] Ways and Means Education Subcommittee continues worksessions
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Ways and Means Education Subcommittee continues work sessions on Higher Education Budget
Odds and Ends

But before we get down to business please note:

Saturday AM legislative meeting in Corvallis. Saturday, June 2nd at 9:30 AM, local legislators will be providing an update on the legislative session at the Corvallis-Benton County Library. The monthly meetings are sponsored by the Corvallis League of Women Voters.

Education Subcommittee work sessions

This week, as expected, the Joint Ways and Means Education Subcommittee ran into difficulties over the level of funding to be provided to the Oregon University System (OUS). The subcommittee has yet to begin to resolve concerns over funding for community colleges.

Outstanding issues. Originally scheduled for two days of work sessions, the OUS budget has now consumed three days, with a fourth scheduled for Monday, June 4th. On Tuesday of this week, the Legislative Fiscal Office (LFO) released an updated version of the co-chairs' budget. The revisions revealed a number of outstanding issues, including:

- $8.6 million in debt service interest savings was identified in the operating budget. In essence these savings can be spent on anything – in higher education or elsewhere. While the co-chairs haven't identified who will benefit, higher education advocates are scrambling to see that the "windfall" is devoted to filling the remaining holes in the operating budget. The most significant holes continue to be a $7 million reduction applied to the Engineering Technology Industry Council (ETIC) budget, and a $2.5 million reduction from the Governor's budget applied to the OSU Statewide Public Service Programs – Agricultural Experiment Station, Forest Research Laboratory, and Extension Service.
- Committee members continue to seek to devote $19 million in interest generated by tuition deposits to higher education. Tuition interest currently accrues to the general fund and, like interest from most state accounts, is not returned to the point of origin. In each of the work sessions this week

committee members repeatedly addressed a number of concerns with the current policy. In particular, several members questioned why the state would forego increased revenues by more actively managing tuition and other funds. While LFO continues to oppose HB 2198, a bill that would provide interest income to OUS, legislators appear to be agitating to create pressure for more general funds for OUS. On Thursday legislators also ventured into seeking more active management of state funds by the State Treasurer in order to generate more interest. Disirregardless of whether the legislature approves transferring interest from tuition to OUS, if the legislature somehow pushes more active management of tuition interest it could result in more general funds overall. Then the legislature could rationalize an increase in general fund appropriations to OUS without passing HB 2198.

- In the view of a number of subcommittee members, another issue is an increase over that called for in the Governor's budget for Education and General (E&G) funding used to provide education services to university students. As a result of revenue increases or savings sought by the Senate Revenue committee, higher education advocates are seeking to increase E&G by significantly more than the $8.6 million already identified in debt service savings.
- The revised LFO budget document also indicated that funding for the Institute for Natural Resources (INR) would be $450K, or $50K short of that called for in the Governor's budget. Out of a nearly $800 million budget, $50,000 seems like an awfully small number to be in contention. During the work sessions OSU sought to address the issue as an apparent misunderstanding. Last session the legislature appropriated $250K to INR for one year of operation in the current biennium. The understanding from OSU up through the Governor's office was that this appropriation would "roll up" to $500K next biennium in order that INR could operate for both years of the biennium.

The "white board". Last week as House Democrats sought to develop support for an increase in the corporate minimum tax, they used a caucus room white board to identify the programs that might benefit. Both ETIC and the OSU Statewides appeared among the various programs on the list. Politically, both programs are logical additions. ETIC is largely supported by a number of significant business interests such as the American Electronics Association. By adding the statewides Democrats are seeking to woo Republican legislators to support the tax change. But given the projected 20% increase in revenues expected next biennium under the current revenue structure, the Republicans don't appear to be biting.

Nevertheless, the white board muddies the water somewhat between the two chambers. The Senate appears to be resigned to no changes in the corporate minimum tax, is working concertedly over the remaining month to get the bills and budget work done, and then will "get outta Dodge." The remote potential for adding back to programs from the corporate minimum makes it difficult to settle deals on those budgets in the Ways and Means Committee. Even if we may never see the corporate tax money, I guess it's nice to know that people like our programs – or at least that they are willing to use them as bait.

Meanwhile, back in the Ways and Means Education Subcommittee, Rep. Larry Galizio, who chairs the Subcommittee, has indicated his intent to move the OUS funding bill out of the committee on Monday afternoon. Before that can happen, we expect a high level dialogue with the co-chairs about how much money will be added back, where it will be added, how much of it will be in the OUS bill, and how much will come in a "Christmas Tree" bill legislators will use to sweep up the remaining financial deals that need to be accomplished before sine die.

Odds and Ends

Capital Budget. No word yet on how and when the OUS capital budget will be addressed. We expect an announcement next week of the formation of a special Ways and Means subcommittee on Capital. The same issues as were outlined last week remain: Funding for deferred maintenance, which buildings will get major rehab money, and what will be available for new construction.

Ocean floor mapping. This week SB 1054 surfaced – Among other things, the bill would provide some $7.7 million to the Department of Geology and Mineral Industries for the purpose of contracting with OSU to conduct ocean floor mapping with the ostensible purpose of helping in the development of ocean wave energy. Funding would be derived from the public purpose charges paid by utilities and their ratepayers.

SB 582 – Venture capital fund. This bill fixes technical problems in SB 853 from last session and has passed the Senate. It is scheduled for consideration by the House Revenue Committee on Monday. Representing the OSU Foundation, Mary Ellen McGillan will testify in support of the bill.

Questions, comments or concerns, don't hesitate to contact me.

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