



Oregon

Kate Brown, Governor

Higher Education Coordinating Commission

255 Capitol Street NE, Third Floor

Salem, OR 97310

www.oregon.gov/HigherEd

May 7, 2019

Co-Chair, Senator Fred Girod
Co-Chair, Representative Paul Holvey
Joint Committee on Ways and Means, Subcommittee on Capital Construction

Dear Co-Chairs Girod and Holvey,

Thank you for the opportunity to answer questions that arose during the May 3 presentation.

On Slide 2, Speaker Kotek inquired about debt service paid in support of state issued bonds over the past decade. This information is included in the table below for all three sectors of higher education including the universities, community colleges and OHSU. The amounts included for the 2019-2021 biennium are projected.

State Paid Debt Service by Sector (\$ millions)			
Biennium	Universities	Community Colleges	OHSU
2005-2007	\$33.1	\$2.3	\$32.0
2007-2009	52.7	3.5	32.0
2009-2011	82.1	8.0	32.0
2011-2013	101.2	15.7	32.0
2013-2015	114.7	16.6	32.0
2015-2017	151.6	24.6	35.0
2017-2019	182.9	32.1	53.0
2019-2021	238.5	34.8	53.0

In reference to Slide 5, Speaker Kotek asked about the cost savings component of the university capital rubric in relation to deferred maintenance. The letter that accompanied the HECC's capital recommendation last year, as included in appendix A, speaks to the importance of deferred maintenance. Specifically, item 2 under the noteworthy effects and limitations addresses the rubric's emphasis on deferred maintenance. The letter also speaks to the inclusion of addressing deferred maintenance as one of the commission-adopted principles.

Additionally, Senate President Courtney inquired about enrollment trends at the state's public universities. Included in appendix B are data on historic enrollment trends broken down by residency and enrollment status.

If you have further questions, please contact Jim Pinkard, Director of Postsecondary Finance and Capital, at jim.pinkard@state.or.us or at 503-947-5984.

Sincerely,

Ben Cannon
Executive Director

Appendix A

Letter Submitted By HECC Accompanying University Prioritized Capital List

August 31, 2018

Governor Kate Brown
State Capitol
900 Court St. NE, Suite 254
Salem, OR 97301

Dear Governor Brown:

As described by Oregon statute, the Higher Education Coordinating Commission (HECC) “receives requests from public universities that wish to request state funding for capital funding, and shall decide whether, and in what manner, to make a request for the issuance of state bonds to the Legislative Assembly” (ORS 352.089(5)). In recognition that state debt capacity is limited and that competition for state bonds is high, the Commission has elected to prioritize university capital requests based on their alignment with state and institutional priorities, as well as their ability to leverage additional, non-state funds. Our 2019-21 Agency Request Budget (ARB), submitted today, includes this prioritized list.

The HECC employs a transparent, deliberate, public process to prioritize capital requests for public universities. To permit an objective analysis of each project request, the HECC adopts and promulgates a Capital Rubric that assigns point values to projects and reflects many of the following Commission-adopted principles:

- All state backed debt prioritized and approved by the Commission will support the Commission’s strategic plan as well as class, lab, research or student services needs identified by the public university from which the request was received.
- A plan for supporting the ongoing operational and maintenance needs of current and proposed capital assets, including deferred maintenance and building renewal, must be in place if an institution seeks to expand their capital portfolio.
- General obligation debt incurred by the state on behalf of institutions for the construction, purchase, or refurbishment of real property will principally serve either to (a) ameliorate constraints within the post-secondary system of higher education by expanding institutional capacity to support student access and completion; (b) extend the useful life of capital assets; or (c) develop or extend key competitive advantages that comport with the state’s education, civic, cultural, and economic needs.
- The HECC will encourage projects that generate operational cost savings through the refurbishment or repurposing of existing facilities or the construction of new facilities.
- The HECC, in conjunction with the institutions, will evaluate the efficient utilization and proper maintenance of current capital assets in determining the need for the purchase or construction of additional capital assets.
- Collaboration between multiple educational, civic, state and private institutions will be encouraged.
- Where possible the leveraging of non-state resources will be encouraged in order to maximize mission attainment.
- The HECC will advocate for a level of state-paid capital debt that is adequate to provide institutions with the most cost-effective means of addressing deferred maintenance, life-safety, and code compliance needs that rise to the level of capital expenditures.

In addition to these principles, the Rubric assigns additional points to each project based on how the submitting university (including Oregon State University Cascades campus) ranks it relative to its other state capital requests. Having now employed the Rubric for two biennium with little modification, we can observe several noteworthy effects and limitations:

1. Projects that do not directly result in student-serving facilities are unlikely to score highly. For example, an OSU-Cascades request for 2017 funding to conduct costly site preparation scored poorly using the Rubric due to the fact that the project itself did not directly result in a facility that eases capacity constraint, supports student completion, or other strategic goals of the HECC -- and in spite of the fact that it was a necessary pre-condition to construction of a building that would earn points in those categories (which together represent 30 out of the 100 points attainable on the Rubric).

Similarly, a Southern Oregon University request for 2019 funding to demolish a dilapidated general purpose building scored relatively poorly due to the fact that the project generates no new student-serving functions directly. In each case, the universities have made prudent requests that may go under-rewarded by the Rubric. For future biennia, the HECC will consider modifying the Rubric to reward projects that take a staged approach to capital development, even when they don't directly or immediately result in student-serving facilities.

2. The Rubric's emphasis on reducing deferred maintenance and generating cost savings results in a subtle preference for projects that involve rehabilitation and renovation over new construction. For example, OSU-Cascades' request for 2019 funding for a new student success center was able to generate relatively few points in the categories of "cost savings" or "life, safety, and code compliance" (sections that together represent up to 20 points on the Rubric). For future biennia, the HECC will consider modifying the Rubric to reward new construction -- especially if the university has provided a mechanism to ensure that it is continually maintained and thereby does not impose future deferred maintenance obligations upon the state (e.g. a maintenance reserve fund).

3. Finally, the Rubric directly and intentionally favors projects that leverage additional matching funds, with up to 15 points possible in this category. Generally, this has benefited institutions that have greater fundraising capacity and, to some extent, has tended to mitigate the effects of issue #2 above. Additionally, the scoring process does not take into account from where the matching funds are derived; at least one university indicated in 2018 that its project "match" will come from the university's general funds, not earmarked philanthropy. These may be additional issues for the Commission to consider prior to launching its 2021 scoring and ranking process.

The HECC recognizes that the Rubric is an imperfect tool for prioritizing capital requests, and we are committed to continually examining how it can be improved. The Commission has recently launched a major effort to assess the state's 10-year university capital needs given the current inventory of public university buildings, demographic and educational trends, workforce needs, and the state's higher education goals.

We expect that the results of this effort will help the Commission become more strategic in future efforts to score and rank university capital requests. In the meantime, we believe the capital recommendations included within our 2019-21 ARB represent an extraordinary opportunity for Oregon's elected leaders to accelerate progress towards meeting the state's higher education goals.

Thank you for your continued support of Oregon education.

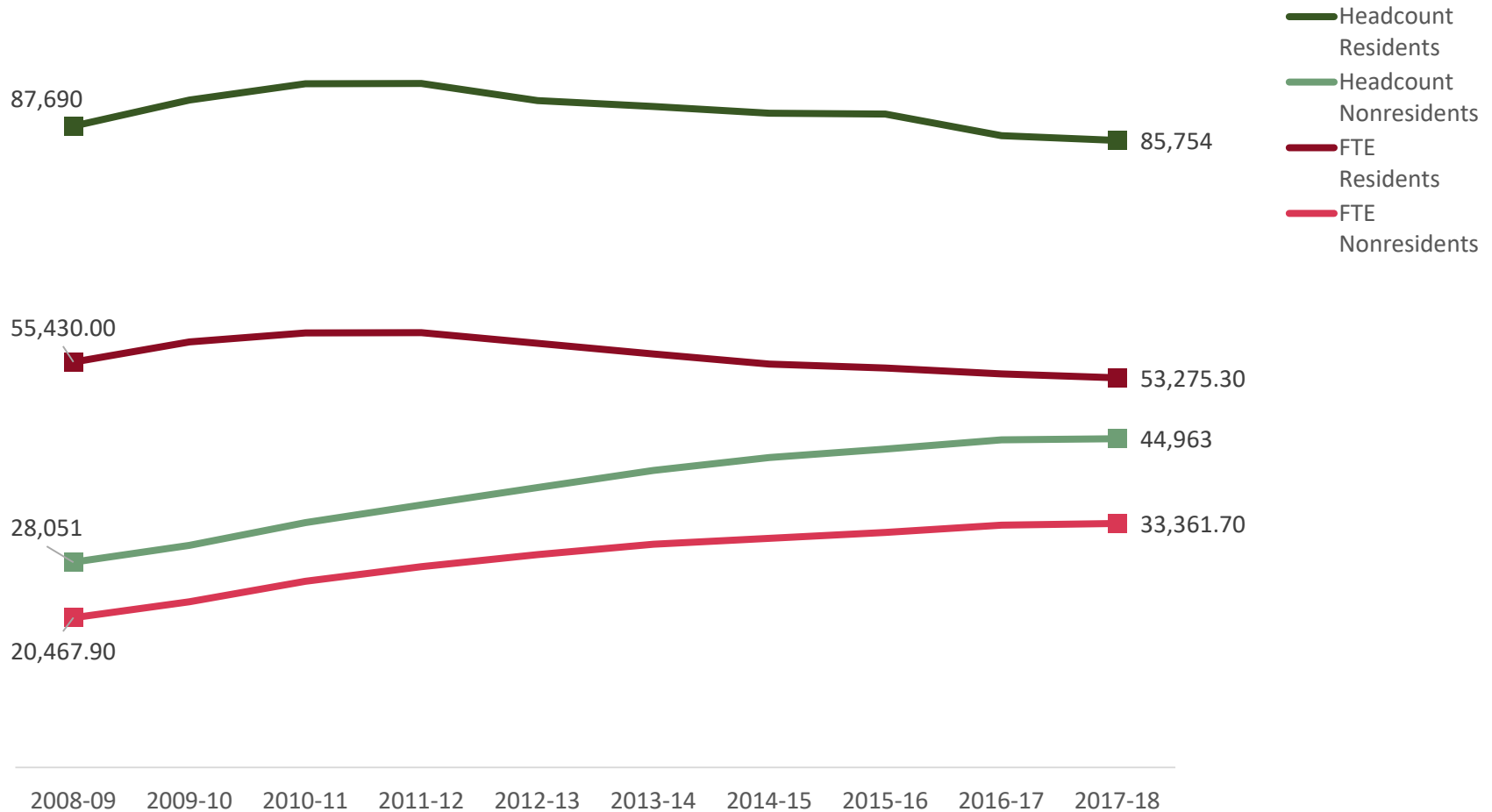
Sincerely,

Neil Bryant
Chair, Higher Education Coordinating Board

Appendix B

Oregon Public University Enrollment

All public universities combined, 2008-2018



Source: For public universities and community colleges – HECC analysis of student data. Includes annual headcount for resident and nonresident students.

Oregon Public University Enrollment

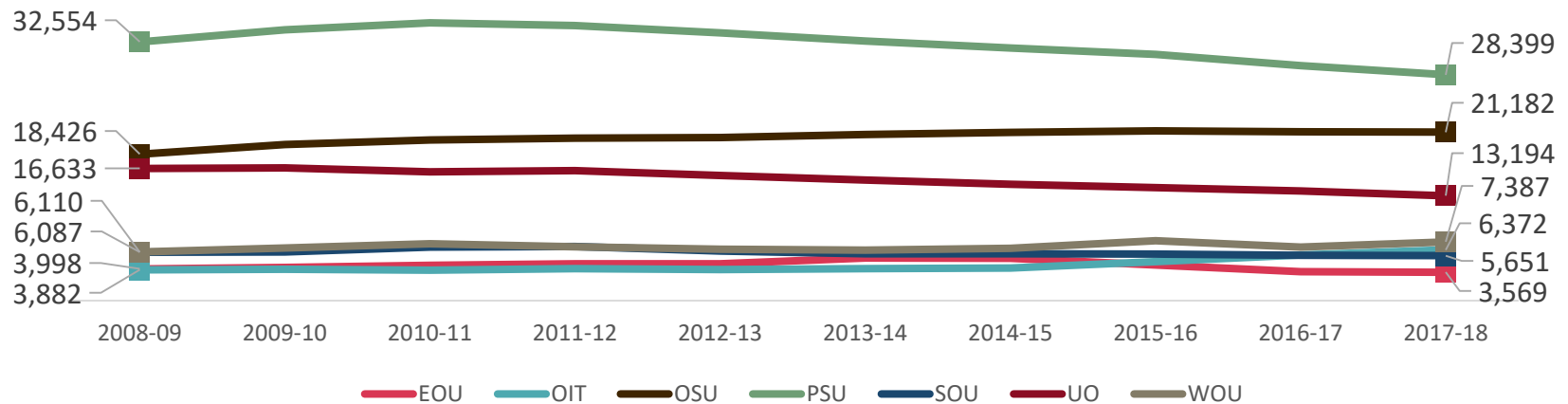
All public universities combined, 2008-2018

	Headcount Resident	Headcount Nonresident	FTE Resident	FTE Nonresident
2008-09	87,690	28,051	55,430.00	20,467.90
2009-10	91,268	30,376	58,209.90	22,660.30
2010-11	93,518	33,470	59,438.70	25,441.50
2011-12	93,548	35,876	59,470.90	27,444.50
2012-13	91,187	38,281	58,013.40	29,085.10
2013-14	90,372	40,624	56,538.70	30,523.20
2014-15	89,473	42,382	55,169.80	31,329.30
2015-16	89,340	43,540	54,622.50	32,148.40
2016-17	86,414	44,791	53,807.20	33,132.80
2017-18	85,754	44,963	53,275.30	33,361.70

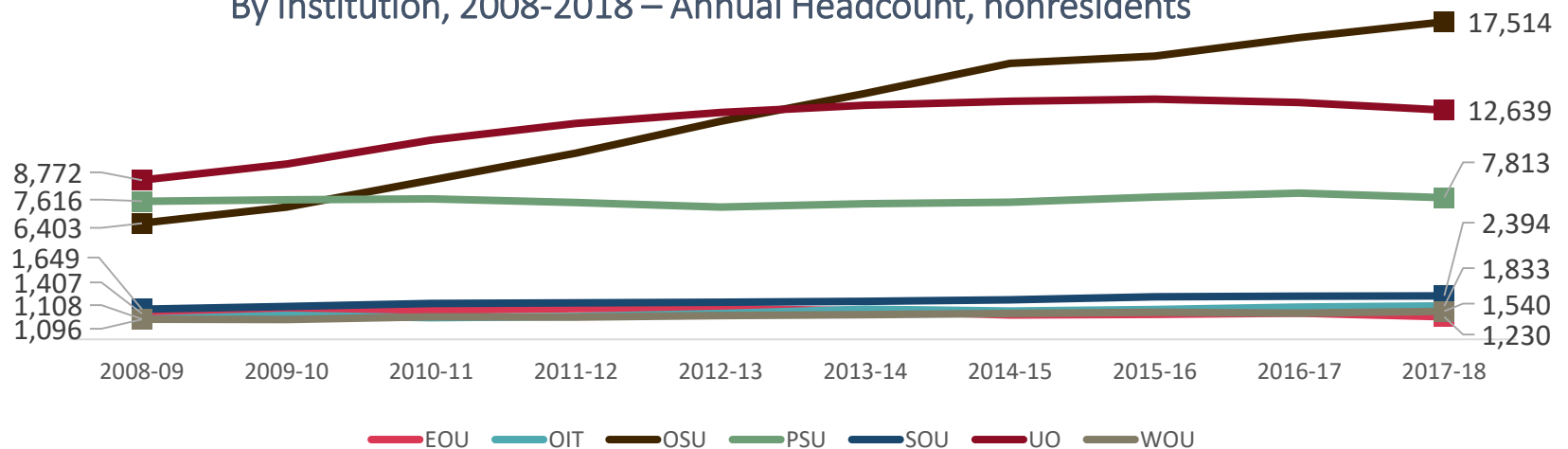
Source: For public universities and community colleges – HECC analysis of student data. Includes annual headcount for resident and nonresident students.

Oregon Public University Headcount Enrollment

By Institution, 2008-2018 – Annual Headcount, residents



By Institution, 2008-2018 – Annual Headcount, nonresidents



Source: For public universities and community colleges – HECC analysis of student data. Includes annual headcount for resident and nonresident students.

Oregon Public University Headcount Enrollment

By Institution, 2008-2018 – Annual Headcount, residents

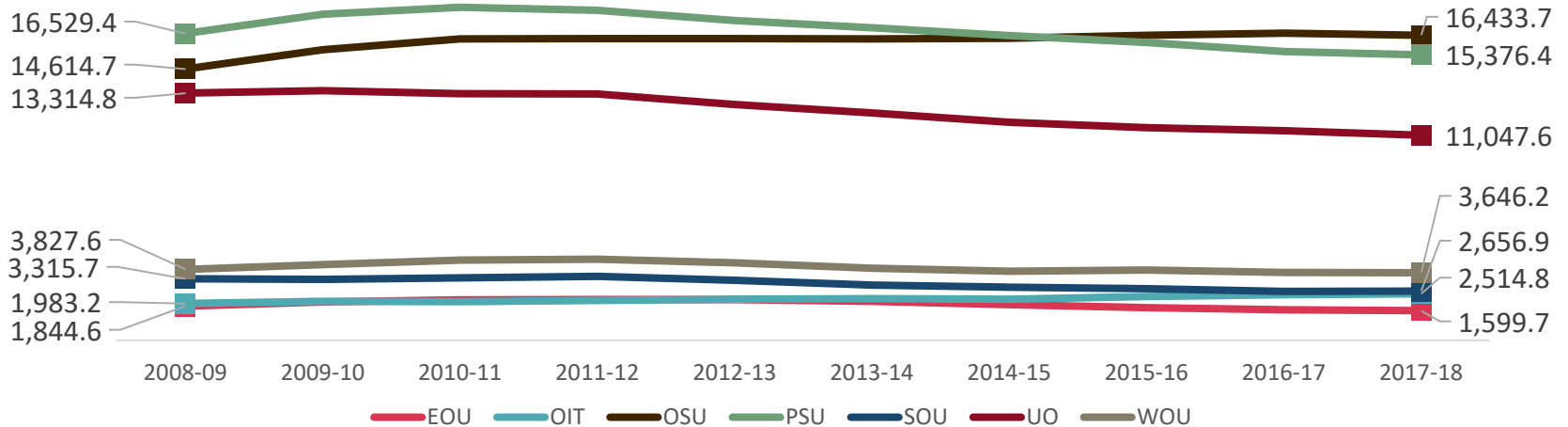
	EOU	OIT	OSU	PSU	SOU	UO	WOU	Grand Total
2008-09	3,998	3,882	18,426	32,554	6,087	16,633	6,110	87,690
2009-10	4,166	3,955	19,642	34,077	6,114	16,705	6,609	91,268
2010-11	4,432	3,846	20,208	34,952	6,716	16,198	7,166	93,518
2011-12	4,640	4,008	20,422	34,584	6,798	16,333	6,763	93,548
2012-13	4,634	3,890	20,510	33,695	6,253	15,759	6,446	91,187
2013-14	5,358	4,024	20,902	32,662	5,895	15,174	6,357	90,372
2014-15	5,328	4,084	21,159	31,763	5,898	14,649	6,592	89,473
2015-16	4,487	4,914	21,357	30,964	5,842	14,230	7,546	89,340
2016-17	3,646	5,727	21,224	29,562	5,704	13,805	6,746	86,414
2017-18	3,569	6,372	21,182	28,399	5,651	13,194	7,387	85,754

By Institution, 2008-2018 – Annual Headcount, nonresidents

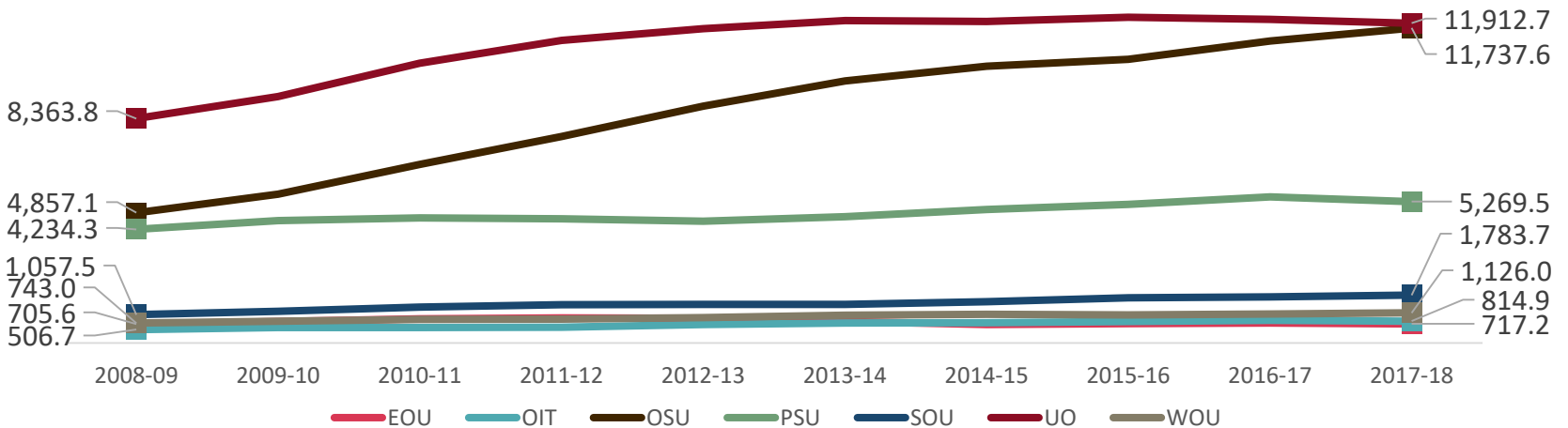
	EOU	OIT	OSU	PSU	SOU	UO	WOU	Grand Total
2008-09	1,407	1,108	6,403	7,616	1,649	8,772	1,096	28,051
2009-10	1,506	1,328	7,296	7,697	1,810	9,657	1,082	30,376
2010-11	1,593	1,183	8,779	7,738	1,968	10,979	1,230	33,470
2011-12	1,685	1,254	10,274	7,533	2,010	11,899	1,221	35,876
2012-13	1,697	1,426	12,026	7,292	2,034	12,503	1,303	38,281
2013-14	1,567	1,656	13,563	7,481	2,090	12,916	1,351	40,624
2014-15	1,337	1,551	15,215	7,563	2,172	13,124	1,420	42,382
2015-16	1,379	1,642	15,615	7,834	2,341	13,247	1,482	43,540
2016-17	1,442	1,770	16,631	8,064	2,383	13,061	1,440	44,791
2017-18	1,230	1,833	17,514	7,813	2,394	12,639	1,540	44,963

Oregon Public University Full-time Equivalent (FTE) Enrollment

By Institution, 2008-2018 – FTE, residents



By Institution, 2008-2018 – FTE, nonresidents



Source: For public universities and community colleges – HECC analysis of student data. Includes annual headcount for resident and nonresident students.

Oregon University Enrollment Full-time Equivalent (FTE)

By Institution, 2008-2018 – FTE, residents

	EOU	OIT	OSU	PSU	SOU	UO	WOU	Grand Total
2008-09	1,844.6	1,983.2	14,614.7	16,529.4	3,315.7	13,314.8	3,827.6	55,430.0
2009-10	2,068.6	2,106.7	15,650.9	17,560.1	3,289.7	13,456.6	4,077.2	58,209.9
2010-11	2,179.6	2,088.4	16,243.8	17,942.1	3,365.1	13,292.9	4,326.9	59,438.7
2011-12	2,202.8	2,152.0	16,261.9	17,775.3	3,445.6	13,265.3	4,367.9	59,470.9
2012-13	2,201.7	2,209.2	16,250.2	17,224.4	3,236.8	12,711.4	4,179.7	58,013.4
2013-14	2,095.3	2,246.4	16,238.8	16,835.0	2,979.3	12,258.2	3,885.7	56,538.7
2014-15	1,919.2	2,220.6	16,275.3	16,410.7	2,861.4	11,754.0	3,728.6	55,169.8
2015-16	1,761.5	2,354.6	16,440.3	16,038.5	2,786.1	11,456.2	3,785.3	54,622.5
2016-17	1,649.2	2,455.8	16,543.4	15,553.3	2,641.0	11,300.9	3,663.5	53,807.2
2017-18	1,599.7	2,514.8	16,433.7	15,376.4	2,656.9	11,047.6	3,646.2	53,275.3

By Institution, 2008-2018 – FTE, nonresidents

	EOU	OIT	OSU	PSU	SOU	UO	WOU	Grand Total
2008-09	705.6	506.7	4,857.1	4,234.3	1,057.5	8,363.8	743.0	20,467.9
2009-10	801.2	579.0	5,541.2	4,563.5	1,182.7	9,178.5	814.1	22,660.3
2010-11	900.3	585.4	6,648.6	4,658.5	1,338.4	10,422.9	887.4	25,441.5
2011-12	935.5	591.2	7,693.6	4,628.1	1,429.6	11,277.8	888.8	27,444.5
2012-13	931.3	691.2	8,823.0	4,539.0	1,440.2	11,706.6	953.9	29,085.1
2013-14	804.9	746.7	9,766.5	4,711.5	1,442.0	12,009.3	1,042.3	30,523.2
2014-15	694.9	762.4	10,310.4	4,978.2	1,536.7	11,974.6	1,072.1	31,329.3
2015-16	720.5	804.7	10,572.4	5,167.1	1,692.1	12,139.0	1,052.5	32,148.4
2016-17	743.9	843.0	11,253.4	5,441.5	1,717.0	12,056.2	1,078.0	33,132.8
2017-18	717.2	814.9	11,737.6	5,269.5	1,783.7	11,912.7	1,126.0	33,361.7