



Oregon

Kate Brown, Governor

Higher Education Coordinating Commission

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April 29, 2021

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 **April 23, 2021** Higher Education Coordinating Commission's presentation to the Ways and Means Subcommittee on Capital Construction.

In regard to the state bonds issued for postsecondary education from 2009 through 2021, Senator Girod asked about the trend in issuing Article XI-F bonds.

Article XI-F bonds require the institution to pay for the debt service in its entirety and are only available to public universities. Collectively, the total amount of XI-F bonds outstanding is about \$1.02 billion. In the past five years, according to data from the institutions' audited annual financial reports, total long-term debt outstanding has increased 26% to \$1.97 billion in FY2020. This includes Article XI-F bonds as well as other self-financed bonds issued by public institutions.

With \$799.7 million in expendable net assets, this level of debt implies a viability ratio of 0.40 across all seven Oregon public universities, compared to a recommended benchmark of 1.0. The viability ratio measures debt coverage and speaks to the percentage of long-term debt that could be covered with existing net assets. It does not assess the overall health of the institution.

This metric is commonly used to assess an institution's ability to service debt. It is closely monitored by credit rating agencies and has fallen from 0.67 in FY2019 to 0.40 in FY2020, as measured before the pandemic. This constraint likely contributes to the declining number of institutional requests for Article XI-F bond funded projects.

Speaker Kotek asked about the timeline for the FAMIS project.

The HECC's replacement or modernization of the Financial Aid Management Information System (FAMIS) will result in a reliable, predictable, scalable, user-friendly, secure, and flexible system that can be modified to meet new and emerging needs. The system is expected to allow the use of cross-functional data and will be capable of integrating with other HECC systems.

HECC intends for the project to take 3-4 years to complete, and that the funds will be released as pre-determined project milestones are met.

The initial goal is to complete the initial phase of a new FAMIS system by October 1, 2023, to receive and process 2023-2024 FAFSA and ORSAA applications for the purpose of awarding public grants. Our intent is for students to be able to use the system to apply for state-administered private grants and scholarships by the next biennium, FY 2023-2025.

As included in the GRB for the 2021-23 biennium, HECC requests \$105,000 GF to pay cost of issuance bond charges and \$5,000,000 in Article XI-Q Bond funding to replace FAMIS. Gartner estimated the total cost of the FAMIS replacement to be \$10,980,000 over the span of two biennia.

Senators Johnson and Steiner-Hayward asked about enrollment trends including information about online enrollments.

Between 2011-12 and 2019-20, the number of full-time equivalent (FTE) students receiving in-person instruction at Oregon's public universities declined 9%, from 83,044 to 75,860 annually. Institution-by-institution annual enrollment breakdowns for the past five years are included in appendix A, table 1.

Over the same time period at Oregon community colleges, the number of full-time equivalent (FTE) students receiving in-person instruction declined 55%, from 99,271 to 44,140 annually. The latter figure, however, reflects the collapse of community college enrollment in spring, 2020 due to the pandemic. Excluding the pandemic effect and measured just through 2018-19, the in-person enrollment decline at community colleges was 37%. Institution-by-institution annual enrollment breakdowns for the past five years are included in appendix A, table 2.

As Sen. Steiner-Hayward noted in her question, there are various ways of measuring enrollment, including by total headcount (versus FTE), by term (versus annual), by residency status (in-state vs. out-of-state), and including all students (not just those attending in-person). We would be happy to supply any of that data upon members' request.

Enrollment *projections* have been made for the public universities. During the process leading to the creation of the Strategic Capital Development Plan (SCDP) in 2019, the consultants collected the institutions' own enrollment projections through 2029. They then compared those projections to a set of estimates they created using the Student Flow Model developed by the National Center for Higher Education Management Services (NCHEMS). The model is a heuristic tool used to project enrollment based on a wide array of data and assumptions. The focus was on-campus enrollment and traditional aged college students.

The consultants found that institutions projected a 19% growth in on-campus enrollment through 2029, while the consultant's model projected 2% growth, as shown in the table included below. This data is now two years old and was collected prior to the pandemic.

On-Campus Enrollment Projections through 2029*

	Current Enrollment 2019	Institution's Enrollment Projection 2029	Variance (institutional projection versus)	Consultant's Enrollment Projection 2029	Variance (current enrollment to consultant's projection)
EOU	1,086	2,541	134%	1,131	4%
OIT	1,840	2,940	60%	1,954	6%
OSU - Bend	789	1,951	147%	811	3%
OSU - Main	23,267	28,414	22%	23,943	3%
PSU	17,599	19,173	9%	18,013	2%
SOU	3,180	3,520	11%	3,167	0%
UO	22,143	24,216	9%	22,359	1%
WOU	4,368	5,828	33%	4,571	5%
TOTAL	74,272	88,583	19%	75,949	2%

* As measured by full-time student equivalents in the fall term. The Institution column is the institution's projection of its projected on-campus enrollment through 2029. The Model column is the projection of on-campus enrollment through 2029 as calculated by the Student Flow Model.

Senators Girod and Johnson asked about institutional matching funds, deferred maintenance and new construction projects.

Appendix B includes more information about HECC's capital projects request list for the 2021-23 biennium. Those within the GRB are noted. While the majority of them are renovation projects, there are three new construction projects on the request list for the public universities, one of which is included in the GRB.

The new construction project included in the GRB is a student success center for OSU-Cascades. Once built, this facility will house all of the student support services currently housed in existing academic buildings. This will expand the footprint of the campus but will not require the demolition or renovation of outdated space.

One of the new construction projects not included in the GRB is the Collaborative Innovation Complex (CIC) project at OSU-Corvallis. The CIC will replace the STEM education and research spaces in Weniger Hall which will then be demolished. Built in 1958, Weniger Hall does not have central air conditioning, adequate ventilation, or sufficient electrical distribution and is identified as one of OSU's three most pressing seismic safety liabilities. The project proposal includes a 50% match and the demolition of Weniger Hall will eliminate over \$54 million in deferred maintenance.

The third proposed new construction project, the residence hall at OIT, would add new space to the institution while retaining the old facility for continued use. This XI-F bond funded project

is not included in the GRB. The continuing operation costs of the OIT facility would be self-financed assuming it remains auxiliary space.

There are four new construction projects for the community colleges, and all of them were included in the GRB. These facilities represent new space needed for expanded workforce programming or student support programming and are not intended to replace existing space on campus. All of these projects were envisioned before the pandemic.

The amount of institutional matching and eliminated deferred maintenance is noted. In total, the projects outlined in the GRB include institutional matching funds of \$113.2 million (25% of the total project cost) and eliminate an estimated \$148.6 million in deferred maintenance needs.

The public university rubric includes a component related to leveraging institutional resources worth up to 15% of the total available project points requiring the institution to pledge campus matching funds and verify their availability. Article XI-G bonds require a 50% match so the public universities will often determine the match and set the amount of the G bond request first. They will then request the balance of the project cost in XI-Q bonds which do not require a match. This is only an issue for the public universities as the community colleges do not have access to XI-Q bonds and are not allowed more than \$8 million in XI-G bond financing per project.

XI-F bonds are only available to the universities and are typically used for projects related to auxiliary operations (housing, food service, retail operations, etc.). A good example of this is the XI-F bond portion of the request for the PSU Gateway Center project. It is a taxable bond issue used to outfit retail space on the ground floor as required under local building rules. Commercial leasing revenues will be used to service the debt.

If you have further questions, please do not hesitate to contact Kyle Thomas, Director of Legislative and Policy Affairs, at kyle.thomas@state.or.us or at 503-480-9596.

Sincerely,



Ben Cannon
Executive Director

Appendix A – Enrollment Trends

Table 1: Annual full-time equivalent (FTE) enrollment of in-person instruction at Oregon Public Universities

Institution	2015-16	2016-17	2017-18	2018-19	2019-20
EOU	1,558.2	1,573.1	1,512.9	1,513.9	1,415.4
OIT	2,664.8	2,645.2	2,568.8	2,581.2	2,603.5
OSU	23,841.8	24,178.4	24,032.4	23,699.6	23,404.0
OSU - CC	647.2	709.2	766.6	814.2	841.6
PSU	19,917.0	19,658.4	19,250.7	18,870.2	17,943.0
SOU	4,009.1	3,879.2	3,925.4	3,688.7	3,420.4
UO	23,514.3	23,262.5	22,866.1	22,585.1	22,333.6
WOU	4,478.4	4,433.7	4,322.9	4,182.7	3,898.5
Total	80,630.8	80,339.7	79,245.8	77,935.6	75,860.0

Source: HECC analysis of student-level data. Includes all students at all levels at public universities. Excludes dual-credit or accelerated learning and students taking exclusively online courses. Data include a combination of in-person and hybrid courses.

Table 2: Annual full-time equivalent (FTE) enrollment of in-person instruction at Oregon Community Colleges

Institution	2015-16	2016-17	2017-18	2018-19	2019-20
BMCC	1,418.9	1,382.7	1,338.3	1,266.5	940.7
COCC	4,555.7	4,366.7	4,124.4	3,860.4	2,698.7
Chemeketa	8,372.4	8,013.9	7,726.0	7,441.3	5,095.7
Clackamas	4,966.3	5,000.7	4,767.3	4,669.3	3,299.8
Clatsop	1,003.9	978.1	948.7	980.8	776.4
CGCC	621.7	630.0	559.7	519.6	361.2
KCC	1,161.8	1,201.2	1,145.3	1,088.5	778.5
Lane	7,042.4	6,678.3	6,275.3	5,892.6	4,058.5
LBCC	4,603.7	4,922.1	4,809.6	4,689.2	3,151.9
MHCC	6,074.4	6,059.1	5,905.3	5,723.0	4,010.5
OCCC	387.1	374.9	375.3	361.8	267.5
PCC	21,090.9	20,466.8	19,480.8	17,968.0	12,317.8
RCC	3,297.2	3,321.9	3,196.0	2,972.2	2,214.3
SWOCC	2,079.9	1,864.5	1,783.4	1,578.7	1,247.3
TBCC	349.2	303.5	311.2	319.9	265.9
TVCC	1,768.3	1,569.1	1,461.6	1,367.1	1,031.4
UCC	2,352.3	2,170.5	2,052.1	1,927.2	1,623.3
Totals	71,146.1	69,304.0	66,260.3	62,626.1	44,139.4

Source: HECC analysis of student-level data. Includes all students at all levels at community colleges. Excludes dual-credit or accelerated learning and students taking exclusively online courses. Data include a combination of in-person and hybrid courses.

Appendix B – 2021-23 Postsecondary Capital Projects (new construction highlighted)

Universities	Rank (points)	Project	XI-Q	XI-G	XI-F (Self Funded)	Institutional Matching	Total Project Cost	% Match	Deferred Maintenance Eliminated	% DM	GRB
WOU*	91	Student Success Center	21,340,000	-	-	660,000	22,000,000	3%	1,200,000	5%	
OSU-CC*	84	Student Success Center	8,800,000	5,000,000	-	5,000,000	18,800,000	27%	-	0%	X
SOU**	N/A	Cascade Hall Demolition	-	-	-	3,500,000	3,500,000	100%	12,000,000	343%	
All	N/A	Capital Improvement and Renewal	80,000,000	-	-	-	80,000,000	0%	-	0%	X
PSU	99	The Gateway Center Reuse and Extension	45,000,000	5,000,000	-	5,000,000	55,000,000	9%	32,000,000	58%	X
OSU	98	Cordley Hall Renovation Phase II	61,000,000	25,000,000	-	57,000,000	143,000,000	40%	80,000,000	56%	X
EOU	95	Inlow Hall Renovation Phase II	17,700,200	564,900	-	564,900	18,830,000	3%	9,350,000	50%	X
UO	94	Heritage Renovation Project	52,650,000	5,850,000	-	5,850,000	64,350,000	9%	15,750,000	24%	X
EOU	90	Loso Hall Renovation Phase II	27,006,000	862,000	-	862,000	28,730,000	3%	4,700,000	16%	
SOU	89	Music Hall Renovation	13,650,000	-	-	450,000	14,100,000	3%	4,690,000	33%	
WOU	87	Health Sciences Remodel	49,500,000	742,500	-	742,500	50,985,000	1%	1,350,000	3%	
SOU	84	Britt Hall - Phase 2 Deferred Maintenance	4,700,000	-	-	50,000	4,750,000	1%	7,190,000	151%	
WOU	80	New P.E. Remodel	19,400,000	300,000	-	300,000	20,000,000	2%	1,600,000	8%	
OSU	76	Collaborative Innovation Complex	-	50,000,000	-	50,000,000	100,000,000	50%	54,000,000	54%	
OIT	73	Learning Resource Center Rehabilitation	19,035,000	607,500	-	607,500	20,250,000	3%	2,000,000	10%	
OSU	35	Phase 2 Remediation & Campus Infra.	15,830,000	835,000	-	835,000	17,500,000	5%	-	0%	
OIT	22	Campus Infrastructure	18,000,000	-	-	-	18,000,000	0%	18,000,000	100%	
		Subtotals	453,611,200	94,761,900	-	131,421,900	679,795,000	19%	243,830,000	36%	
OIT	N/A	New Residence Hall Facility	-	-	55,000,000	-	55,000,000	0%	-	-	
OSU	N/A	Reser Stadium West Grandstands	-	-	40,000,000	113,000,000	153,000,000	74%	70,000,000	46%	
PSU	N/A	Gateway Center	-	-	18,000,000	-	18,000,000	0%	see above	N/A	
		Subtotals	-	-	113,000,000	113,000,000	226,000,000	50%	70,000,000	0	
Community Colleges	Rank	Project	XI-Q	XI-G	XI-F (Self Funded)	Institutional Funds	Total Project Cost	% Match	Deferred Maintenance Eliminated	% DM	GRB
Tillamook Bay	1	New CTE Building, Renovations	-	8,000,000	-	14,600,000	22,600,000	65%	-	0%	X
Rogue	2	Transportation Technology Complex	-	7,000,000	-	7,700,000	14,700,000	52%	-	0%	X
Linn Benton	3	Agricultural Center	-	8,000,000	-	8,000,000	16,000,000	50%	-	0%	X
Chemeketa	4	Bldg 7 Remodel	-	8,000,000	-	8,000,000	16,000,000	50%	11,500,000	72%	X
Klamath	5	Childcare Learning Complex	-	1,500,000	-	1,500,000	3,000,000	50%	-	0%	X
		Subtotals	-	32,500,000	-	39,800,000	72,300,000	55%	11,500,000	16%	
		Grand Total	453,611,200	127,261,900	113,000,000	284,221,900	978,095,000	29%	325,330,000	33%	
		GRB Total	265,150,200	73,914,900	-	113,214,900	452,280,000	25%	148,600,000	33%	

NOTES:

GRB intent is to fund OSU Cascades Student Success Center.
 * Holdover project from 2019-21 biennium not included in ARB.
 ** Holdover project and ineligible for bonding.