

ANALYSIS

Item 12: Higher Education Coordinating Commission Technical and Regional Universities Financial Sustainability

Analyst: Kim To

Request: Allocate \$18,735,518 General Fund from the special purpose appropriation made to the Emergency Board for the Higher Education Coordinating Commission to award grants to Portland State University and Oregon's four Technical Regional Universities, consisting of the Oregon Institute of Technology, Southern Oregon University, Eastern Oregon University, and Western Oregon University, to assist these institutions with long-term financial sustainability.

Analysis: The 2023-25 budget bill (HB 5025, 2023) for the Higher Education Coordinating Commission (HECC) included a two-stage \$25 million one-time investment for Portland State University (PSU) and Oregon's four Technical Regional Universities (TRUs) to support innovative proof-of-concept efforts to realign the institutions' offerings and resources with their enrollment and economic challenges. The four TRUs include Western Oregon University (WOU), Eastern Oregon University (EOU), Southern Oregon University (SOU), and the Oregon Institute of Technology (OIT). The \$25 million is comprised of a \$6.3 million General Fund appropriation, which HECC has distributed to the five institutions, and an \$18.7 million General Fund special purpose appropriation to the Emergency Board for additional potential grants to these institutions.

As directed by a budget note, HECC has convened a workgroup with representatives of these institutions to produce a report to the Joint Committee on Ways and Means during the 2024 legislative session with recommendations for allocation of the \$18.7 million. After submission of this report, HECC has met with legislative and institutional leaders to fine-tune a grant process to align with the intent of the investment to generate cost savings or revenue increases that will improve institutional budgets over the long-term.

If approved, HECC will have the responsibility for determining whether to fund proposals from the five institutions based on the project meeting at least one of the following criteria:

- Strategic cost cutting, such as through early retirement incentives, paying up-front expenses for administrative efficiencies, or retiring debt.
- Growing revenue, such as through equipment purchases that allow the expansion of high demand programs.
- Collaborative activities, such as through the up-front costs associated with the development of shared academic, administrative, or student support services.

To remove timing pressures on project proposal development, HECC has established a funding ceiling for each institution and a grant timeline. HECC proposed funding ceilings of up to \$2.3 million for each TRU and up to \$7 million for PSU, for a total of \$16.2 million. The remaining \$2.5 million will be reserved for collaborative projects. HECC anticipates funding will be granted by HECC on a rolling basis beginning June 2024.

Recommendation: The Legislative Fiscal Office recommends that the Emergency Board allocate \$18,735,518 General Fund from the special purpose appropriation made to the Emergency Board for the

Higher Education Coordinating Commission to award grants to Portland State University, and Oregon's four Technical Regional Universities, consisting of the Oregon Institute of Technology, Southern Oregon University, Eastern Oregon University, and Western Oregon University, to assist these institutions with long-term financial sustainability.

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Higher Education Coordinating Commission
Chase

Request: Allocate \$18,735,518 from the Special Purpose Appropriation (SPA) made to the Emergency Board to the Higher Education Coordinating Commission (HECC) for Portland State University (PSU) and Oregon’s technical regional universities (TRUs) long-term financial sustainability.

Recommendation: Approve the request.

Discussion: Pursuant to a budget note included in the budget report for House Bill 5025 (2023), PSU and the TRUs (Oregon Institute of Technology, Southern Oregon University, Eastern Oregon University, and Western Oregon University) submitted a report to HECC detailing innovative proof-of-concept efforts to create long-term institutional financial viability. HECC convened a workgroup to produce a final report, which included an evaluation of each proof-of-concept effort and recommendations for allocating the SPA to the applicable universities. The report and recommendations were submitted to the Joint Committee on Ways and Means during the 2024 Legislative Session.

After post-session consultation with legislative and institutional leaders, HECC refined its original recommendation to ensure the one-time SPA funding would support transformational strategies for increasing the long-term sustainability of the universities.

HECC will review university submitted proposals to ensure alignment with at least one of three categories:

1. Strategic cost cutting including, but not limited to, early retirement incentives, paying up-front expenses for administrative efficiencies;
2. Increasing revenue including, but not limited to, purchasing equipment that enables the expansion of high-demand programs; and
3. Collaborative activities including, but not limited to, investing in the development of shared academic, administrative, or student support services.

Pursuant to the revised recommendation, HECC staff will evaluate a financial prospectus for each proposal to ensure the proposed one-time expenditure has a high likelihood of increasing the institution’s long-term financial sustainability. HECC will also require institutions to demonstrate their proposals align with emerging or completed institution-wide plans for strategic transformation for sustainability.

PSU will be eligible to receive up to \$7.0 million in total grant funding. The TRUs will be eligible to receive up to \$2.3 million each. The remaining \$2.5 million will be set aside for potential collaborative projects across all five institutions.

Legal Reference: Allocation of \$18,735,518 from the Special Purpose Appropriation made to the Emergency Board by chapter 454, section 7(1), Oregon Laws 2023, to supplement the appropriation made by chapter 454, section 1(2), Oregon Laws 2023, for the Higher Education Coordinating Commission, public university operations and student support for distribution to public universities for the 2023-25 biennium.



Oregon

Tina Kotek, Governor

Higher Education Coordinating Commission

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www.oregon.gov/HigherEd

April 29, 2024

Senator Rob Wagner, Co-Chair
Representative Julie Fahey, Co-Chair
State Emergency Board
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairs:

Nature of the Request

The Higher Education Coordinating Commission (HECC) respectfully requests the allocation of \$18,735,518 General Fund (GF), which represents the remainder of the \$25,000,000 Special Purpose Appropriation contained within HB 5025 (2023) to assist the following institutions with long-term financial sustainability: Portland State University (PSU), and Oregon's four Technical Regional Universities (TRUs) consisting of Oregon Institute of Technology (OIT), Southern Oregon University (SOU), Eastern Oregon University (EOU), and Western Oregon University (WOU).

Agency Action

HECC received and distributed the first \$6,164,482 GF from HB 5025 (2023) to support PSU and the TRUs for promising innovative proof-of-concept efforts to realign institutional offerings and resources with current and emerging enrollment and economic realities to create long-term institutional financial viability. This funding was for one-time investments designed to generate cost savings or revenue increases that will improve institutional budgets over the long-term. This funding was not intended to cover shortfalls in operations or provisional funding for programs or activities with on-going costs. This funding was used to assist PSU and the TRUs in reimagining offerings, economizing budgets, and leveraging resources to adapt to shifting demographics to ensure long-term financial sustainability while safeguarding community stewardship, access, and affordability.

HECC collaborated with Oregon Solutions and institutional, faculty, staff, and student partners on a workgroup process that began in September 2023 and continued through January 2024. The universities submitted a report detailing their proof-of-concept efforts and HECC contracted with an outside consultant, the National Center for Higher Education Management Systems (NCHEMS), to provide objective analysis included within a final report and recommendations for the release of the remaining \$18.7 million. HECC presented this report to the Ways and Means Education Subcommittee during the 2024 Legislative session. This report



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may be found at:

<https://olis.oregonlegislature.gov/liz/2024R1/Downloads/CommitteeMeetingDocument/280849>

The 2024 Legislature acknowledged receipt of the report and deferred the release of the remaining \$18,735,518 until further clarification.

Since the adjournment of the 2024 legislative session and in consultation with legislative and institutional leaders, HECC has refined the recommendation to ensure that the one-time funding will support transformational strategies for increasing the long term sustainability of the universities. If approved, HECC will have responsibility for determining whether to fund proposals from the five universities. HECC will accept proposals that fit into one or more of three buckets:

- Strategic cost cutting, such as through early retirement incentives, paying up-front expenses for administrative efficiencies, or retiring debt;
- Growing revenue, such as through equipment purchases that allow the expansion of high-demand programs;
- Collaborative activities, such as through the up-front costs associated with the development of shared academic, administrative, or student support services.

Institutions will be eligible for up to the same amounts HECC had previously recommended (\$2.3M for each TRU, \$7M for PSU, with the remaining \$2.5M set aside for at least one collaborative project). Under the updated request, HECC staff will rigorously evaluate a financial prospectus for each proposal to ensure that the proposed one-time expenditure has a high likelihood of increasing the institution's long-term financial sustainability. Moreover, HECC will require institutions to demonstrate that their proposals align with emerging or completed institution-wide plans for strategic transformation for sustainability. HECC will report to the Ways & Means Committee on the actual results of the expenditures after one and two years.

Action Requested

The Higher Education Coordinating Commission requests the Emergency Board approve the allocation of \$18,735,518 General Fund to assist PSU and the TRUs with long term financial sustainability as intended by HB 5025, (2023).

Legislation Affected

Oregon Laws 2023, Chapter 454, Section 1(2) [HB 5025 (2023)]

Sincerely,

Ben Cannon, Executive Director

Higher Education Coordinating Commission

April 22, 2024

Ben Cannon, Executive Director
Higher Education Coordinating Commission
3225 25th St. SE
Salem, OR 97302


Dear Director Cannon:

We are writing you collectively as the Presidents of Eastern Oregon University, Oregon Institute of Technology, Southern Oregon University, Western Oregon University and Portland State University to express our appreciation for your leadership in support of our universities to maximize the effectiveness of the Sustainability Funds allocated by the Oregon Legislature in 2023. We are grateful for the time and effort you have taken to provide guidance in this effort especially in the past several weeks, and want to affirm the following:

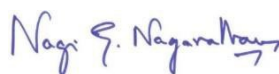
- Our universities are united in a common goal to achieve long-term fiscal sustainability;
- We all agree to the framework you have developed for this investment, and the areas within which remaining Sustainability Funds will be directed;
- We are supportive of the allocation of \$2.5 million from the special purpose appropriation of \$18,735,518 to a shared pool for a collaborative project that aligns with the framework. We will be tasking our VPFAs to develop a plan of action for the collaborative project.

We hope that our collective statement here is demonstrative of our commitments. We know that the path to sustainability may not be simple, but it is one we are all pledged to travel.

Sincerely,



Kelly Ryan, EOU



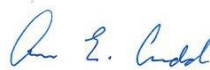
Nagi Naganathan, OIT



Rick Bailey, SOU



Jesse Peters, WOU



Ann Cudd, PSU