



# Oregon

Tina Kotek, Governor

## Higher Education Coordinating Commission

Office of the Executive Director

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Salem, Oregon 97302

[www.oregon.gov/HigherEd](http://www.oregon.gov/HigherEd)

February 9, 2024

Co-Chair, Senator Deb Patterson

Co-Chair, Representative Greg Smith

Joint Committee on Ways and Means, Subcommittee on General Government

Dear Co-Chairs Patterson and Smith,

During the February 7, 2024 apprenticeship utilization presentations made to the Ways and Means Subcommittee on General Government, questions were asked of institutional representatives that the Higher Education Coordinating Commission can assist in answering. This letter provides additional information to Committee members about those questions.

Co-Chair Smith asked about current construction projects. HECC will defer to the institutions for project specific information; however, we note that cost inflation has been a challenge recently. As summarized in Table 1, the overall cost of construction has grown significantly in the past five years with material availability and lead time mostly stabilized but with continued pressure on labor availability.

**Table 1. Annual Change in Construction Cost**

	Oregon	National
2019	5%	3%
2020	2%	2%
2021	21%	21%
2022	6%	7%
2023	1%	2%

**Source:** Mortenson Construction Cost Index, Accessed 2/9/2024

During 2022, HECC collaborated with the universities on gathering information related to extraordinary inflation. When proposed, most capital construction projects include contingencies in the 3 to 5% range. Ordinarily, institutions will use this contingency funding, with scope revisions or value engineering strategies, to complete a project within the approved budget. Since extraordinary inflation called in to question the universities' ability to do so in the short-term for previously approved state-funded projects, the Legislature appropriated an additional \$30 million in Article XI-Q bonds for the Capital Improvement and Renewal (CIR) program to help address the issue. This was done in SB 5701 (2022).

Co-Chair Smith also asked about deferred maintenance. Table 2 includes information for each public university including the current estimate of deferred maintenance for education and general (E&G) space. E&G relates to the instruction and research mission of the university excluding auxiliary activities (i.e., athletics, housing, food, and retail services).

Table 2 also includes the current facilities condition index (FCI) which divides the estimated amount of deferred maintenance by the current replacement value. Generally, ten percent or less is preferable. In 2002, the FCI was an estimated 20% collectively for the universities.

<b>Table 2. Summary of Deferred Maintenance</b>					
	<b>Building Count</b>	<b>E&amp;G Gross Square Feet</b>	<b>Current Replacement Value</b>	<b>Estimate of Deferred Maintenance</b>	<b>Facilities Condition Index</b>
EOU	23	730,965	422,727,795	50,727,335	12.0%
OIT	39	817,798	544,022,163	65,282,660	12.0%
OSU	482	6,764,562	4,680,566,826	353,279,217	7.5%
PSU	44	2,534,121	2,273,898,306	140,250,325	6.2%
SOU	40	953,390	615,637,654	137,580,000	22.3%
UO	163	4,628,562	4,092,395,895	522,073,406	12.8%
WOU	39	815,410	458,079,757	54,937,357	12.0%
<b>Total</b>	<b>830</b>	<b>17,244,808</b>	<b>\$13,087,328,395</b>	<b>\$1,324,130,300</b>	<b>10.1%</b>

**Source:** Survey data from the universities to support CIR allocation calculations. Fall 2023.

The Capital Improvement and Renewal (CIR) program was created to provide state bond funding, allocated by the HECC, to the universities for critical deferred maintenance needs including code compliance, Americans with Disabilities Act (ADA) compliance, and public safety issues specifically. Since 2009, \$515 million in state bonds have been authorized for this program. Funding is allocated using adjusted E&G gross square feet and a density factor. CIR funding is routinely the top capital priority included in the HECC's ARB on behalf of the universities. In addition to requesting dedicated CIR funding, HECC also awards points in its capital project scoring rubric for projects that reduce campus deferred maintenance backlogs.

If you have further questions, please do not hesitate to contact Kyle Thomas, Director of Legislative and Policy Affairs, at [kyle.thomas@hecc.oregon.gov](mailto:kyle.thomas@hecc.oregon.gov) or at 503-480-9596.

Sincerely,

*Ben Cannon*

Ben Cannon  
Executive Director