



Spending and Efficiency in Oregon Public Universities

Joint Committee on Ways and Means,
Subcommittee on Education

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February 10, 2026

Presentation Overview

1. Purpose and process for the budget note report
2. Report findings
3. Report recommendations

Purpose of the Report

The report contains information about spending at Oregon's public universities and considers cost efficiency. There are three sections of analysis.

Required by a budget note in the HECC budget bill (SB 5525, 2025).

Builds on the sustainability report presented June 2025.

SB 5525, 2025 Budget Note

- Directed HECC to assess spending and cost efficiency at public universities.
- Mandated inclusion of ratios, revenue and expenditure data, program growth, enrollment, completion, and other data to identify/validate certain factors.
- Stated the report may include **recommendations for coordinated and collaborative efforts to reduce institution costs and students' cost of attendance.**

Process and Partner Engagement

The report was adopted by the Commission on January 6, 2026. Staff consulted with partners through three rounds of partner feedback with the Commission retaining final editorial control.

Partner review included the universities, DAS, LFO, and LPRO.

The draft recommendations were discussed with the Commission at two public meetings in advance of its adoption.

Report Findings



Student Costs

Tuition and fees (i.e., the sticker price) have increased faster than inflation. However, the average net price has not, due to financial aid investments to improve student affordability.

Published tuition and fee rates have grown faster than inflation.

However, the total cost of attendance has grown in line with inflation during the period examined.

Tables 6/7, pages 11/12

The average net price has grown less than inflation for those with financial aid.

Students who receive financial aid pay 40% less than sticker price on average due to financial aid from all sources.

Table 8, page 13

Student affordability has improved.

However, the affordability rate in academic year 2022-23 was 50% on average for students receiving financial aid.

Table 9, page 14

State Funding

State funding per student is lower in Oregon than in neighboring states, making Oregon public universities more tuition dependent and increasing the cost of tuition and fees to students.

	State Funding per student	State Financial Aid per student	Net Tuition as % of Revenue
California	\$11,344	\$1,831	33.7%
Idaho	10,351	449	51.9%
Nevada	11,500	2,220	23.6%
Washington	13,268	2,608	48.1%
Regional Average	\$11,616	\$1,777	39.3%
Oregon	6,200	1,146	69.7%
OR vs Average	(47%)	(36%)	N/A

Source: Table 10a, page 15. 2024 State Higher Education Finance Survey (SHEF), tables 3.2A, 3.3A, and 4.3A.

Note: Figures based on Full Time Equivalent (FTE) enrollment.

University Spending

The growth in spending has exceeded inflation consistent with other labor-intensive, public entities in Oregon. Growth in spending on institution support is an outlier.

Total, All Funds

Growth has exceeded inflation but is on par with other public entities and comparable to the national experience.

Table 12, page 17

By Category

In all funds, Institution support and public service are outliers. Likely due to shared services and other cost factors (i.e., insurance, compliance, IT).

Table 14, page 19

Wages/Benefits

Within the general fund (i.e., E&G), wages and healthcare are up 3.4% annually with retirement benefits up 7.2% annually.

Table 14a, p 20

Debt Service

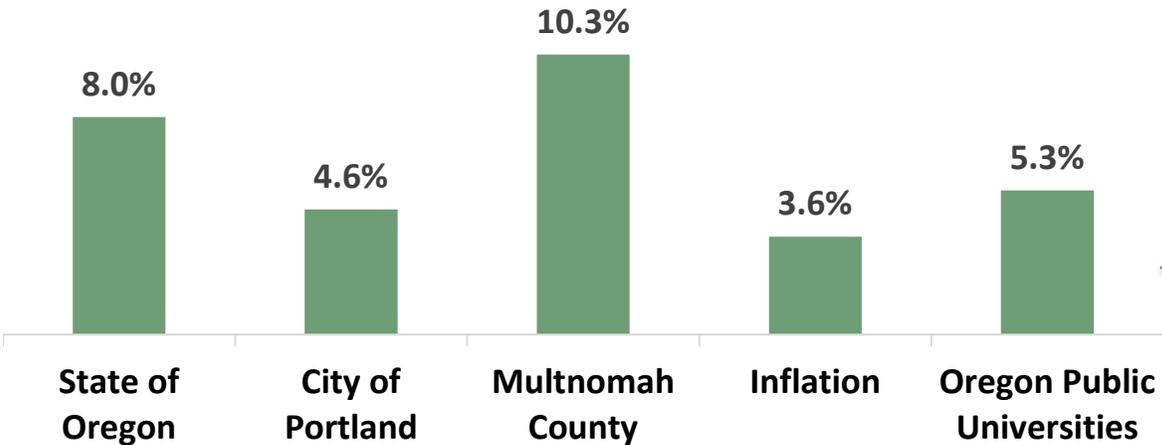
The amount paid for debt service has increased 19% from FY2016 to FY2024. The value of long-term debt has increased 45%.

Tables C/D, pages 56/57

University Spending - Comparison

Growth in university spending has exceeded inflation, consistent with other labor-intensive, public entities in Oregon.

**Annual Growth in Spending
FY2015 to FY2024**



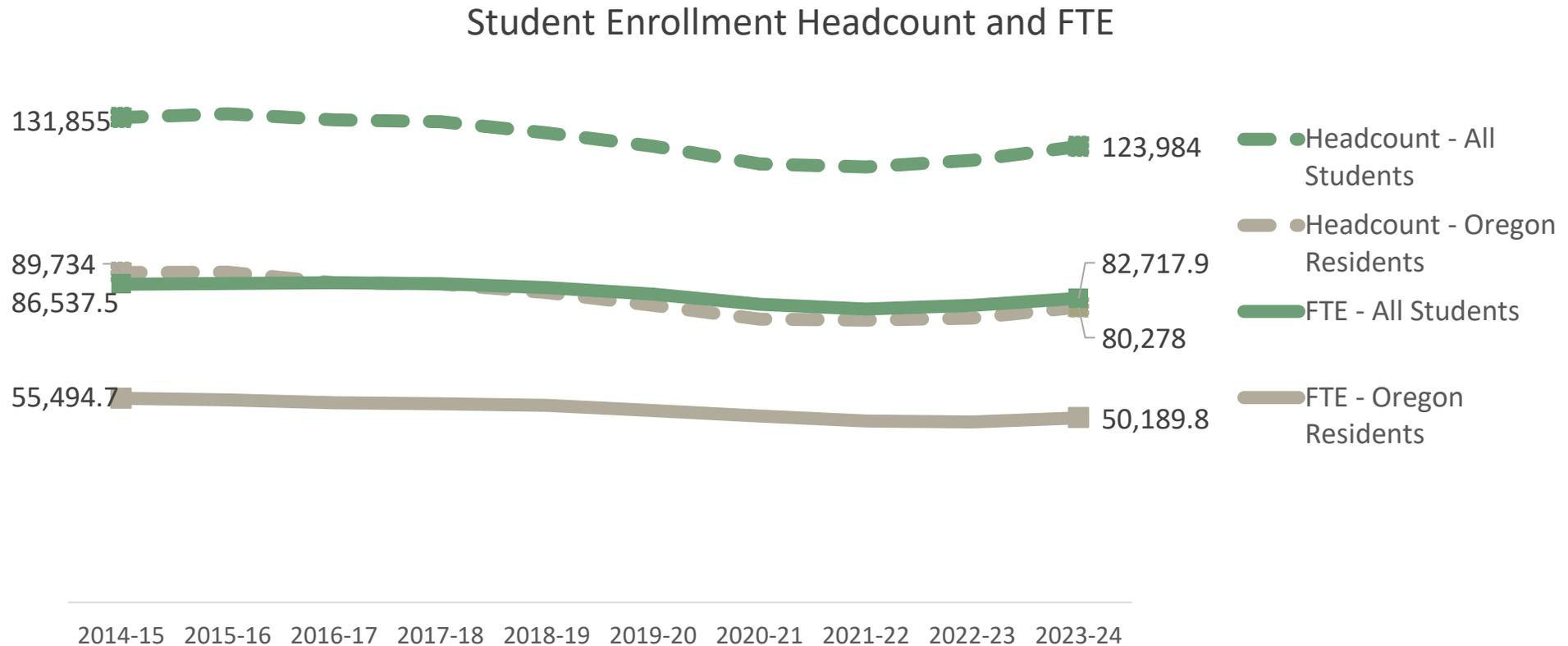
Source: Comprehensive annual financial reports. Total (primary) government activities. Inflation is CPI-U for western region.

Category	FY2015	FY2024	Annual Growth Rate
Instruction	753,534	1,000,473	3.2%
Research	295,293	447,270	4.7%
Public Service	144,201	342,891	10.1%
Academic Support	172,348	290,494	6.0%
Student Services	94,533	163,090	6.2%
Auxiliary	469,536	679,913	4.2%
Institution Support	191,523	383,224	8.0%
O&M, Plant	116,630	159,527	3.5%
Student Aid	112,005	173,119	5.0%
Other	86,757	230,582	11.5%
Total	\$2,436,360	\$3,870,583	5.3%

Source: Table 14, page 19. Comprehensive annual financial reports. In thousands of dollars, unadjusted for inflation. All funds. O&M means operations and maintenance of buildings.

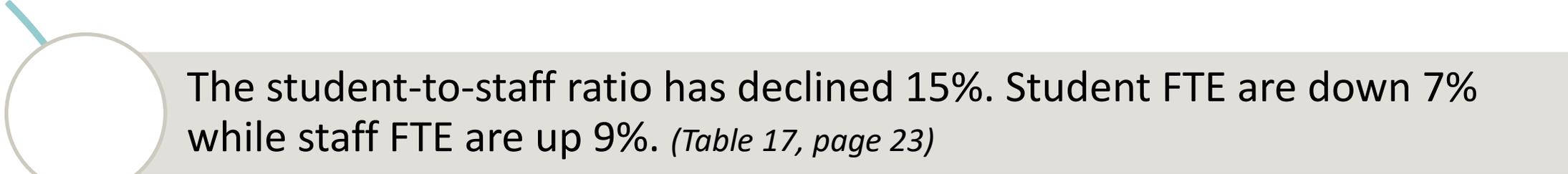
Public University Student Enrollment

*During the same period that university spending rose 5.3%, FTE enrollment fell 4.4%.
Headcount enrollment fell 6.0%.*

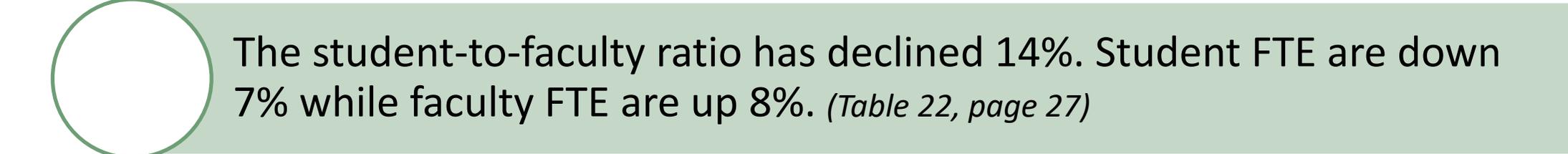


University Staffing

Over the past decade, staffing has grown while enrollment has declined with variation by university. Most of the growth is in student/academic affairs and institution support.



The student-to-staff ratio has declined 15%. Student FTE are down 7% while staff FTE are up 9%. *(Table 17, page 23)*

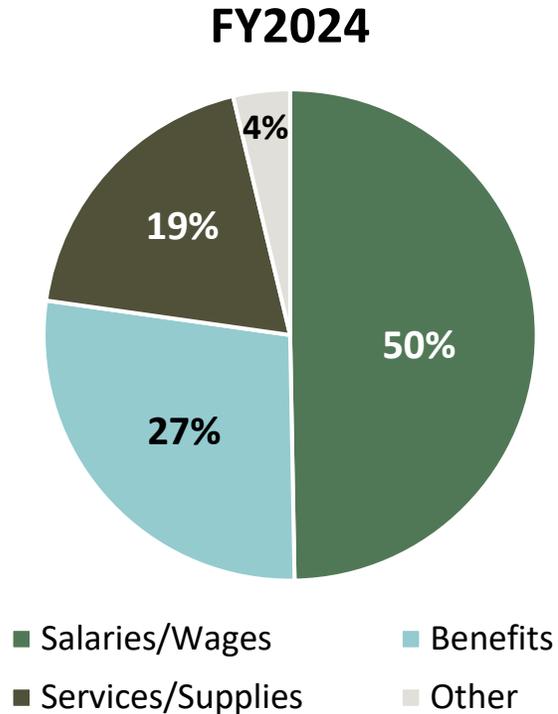


The student-to-faculty ratio has declined 14%. Student FTE are down 7% while faculty FTE are up 8%. *(Table 22, page 27)*



Staffing in student/academic affairs has grown 34% with staffing for business/financial operations up 14%. *(Table 19, page 24)*

E&G (General) Fund Spending



Category	FY2017	FY2024	Growth Rate
Wages	808,407	1,018,562	3.4%
Health	158,944	201,020	3.4%
Retirement	138,465	225,852	7.2%
Other Benefits	109,468	137,195	3.3%
S&S	273,402	389,869	5.2%
Other Costs	77,245	76,332	(0.2%)
Total	\$1,565,931	\$2,048,830	3.9%

Notes: Table 14a, page 20. Amounts in thousands of dollars, unadjusted for inflation. Other costs include net fund transfers. Time period based on data availability. General (E&G) fund only.

The growth rate of spending for retirement benefits is now more than double that of wages. Oregon public universities spend more on employee benefits, as a percentage of wages, than do other states.

Source: National Center for Higher Education Management Systems (NCHEMS), Oregon Higher Education Landscape Study, September 2022.

Cost Efficiency

Degree productivity and spending per completions have both increased over time, suggesting improved efficiency.

Degree Productivity

- The number of degree completions per 1,000 student FTE has increased 5.4% in the aggregate.
- The number of total annual degree completions has grown even while enrollment has declined.

Table 24, page 28

Spending per Completions

- The number of completions per \$100,000 in spending has increased over time in the aggregate.
- This metric has improved at all the public universities.

Tables 25/26, page 29

Source Note: The use of these two metrics is informed by the following publication: Donna M. Desrochers, Rick Staisloff, and Katie Hagan, *The Financial Sustainability of Higher Education: Bright Spots & Challenges 2012 to 2022*, RPK Group, February 2025.

Financial Outlook

Universities remain vulnerable to deficits via cost pressures, which is complicated by shared risks and shocks that echo across campuses.

The short-term revenue outlook suggests structural gaps will persist.

It is difficult to see how financial sustainability will be achieved without improved cost efficiency.

Policy Implications

Multiple universities operate below optimal enrollment levels, creating structural cost inefficiencies.

Scale disadvantages can create an austerity spiral. Higher per-student costs force higher tuition and lower service thereby discouraging enrollment.

Without a strategic policy response, Oregon risks accelerating the deterioration of access and quality, particularly in rural and underserved regions.

Report Recommendations



Recommendations – Background

Oregon’s experience is not unique. Only a few high-growth states can still afford a system built on “every campus for itself.”

Each university is vital for its community, its region, and the state. The aim is to see each of them flourish.

The focus is on increasing the “systemness” of the universities by optimizing economies of scale, promoting coordination, and expanding partnerships.

Increasing *systemness* does not mean recreating a university system.

Recommendations for Action

1. Direct the development of a proposal, or proposals, for targeted institutional integration by January 2027.

2. Require the periodic review and renewal of academic degree programs.

3. Appropriate a separate salary pool to support essential compensation increases.

4. In setting priorities for capital investments, place a greater emphasis on IT infrastructure replacement.

5. Fund targeted sustainability and integration efforts at the public universities.

1. Direct the development of a proposal, or proposals, for targeted institutional integration by January 2027.

Rationale: An opportunity exists for Oregon to exploit scale to create a competitive advantage in workforce and talent development on a regional or statewide basis, and to drive collaboration rather than competition.

Key Considerations (1/2)



“Institutional integration” can take many forms.

- One end of the continuum could involve a full merger of two or more institutions.
- The other end could involve independent fiscal and academic entities operating under a single system policy umbrella and seamlessly sharing certain programs and services.



Planning should consider models for integration on a statewide or regional basis.

- Statewide integration could include a formal affiliation between the state’s regional universities.
- Regional integration could include combining services provided to the same region by a community college and a public university.

1. Direct the development of a proposal, or proposals, for targeted institutional integration by January 2027.

Key Considerations (2/2)



Priority should be given to institutions that express interest in deeper levels of integration, but planning should consider all institutions and potential options.



The final plan, or plans, should show how integrated institutions would share certain administrative services over and above what they already share today.

- Administrative services include payroll, procurement, compliance, auditing, IT, legal, etc.
- This should be informed by the result of the shared services analysis currently underway for PSU and the Technical and Regional Universities (TRUs), but may be broadened as well.
- An independent, third-party entity could be considered for the provision of certain shared services.



The final plan, or plans, should show how integrated institutions would share certain academic programs and student services in order to maintain or enhance access and options for students while reducing duplication.

2. Require the periodic review and renewal of academic degree programs by HECC.*

Rationale: Today, new degree programs and significant changes to degree programs must be approved by HECC, but no mechanism exists for the state to review programs for sustainability, value, or other criteria.

Key Considerations



Legislation could require academic degree programs to periodically demonstrate that they:

- Produce value for students and communities;
- Don't unnecessarily duplicate other institutional offerings;
- Are critical to the institution's mission; and
- Meet minimum enrollment or other financial sustainability requirements.



Legislation should strictly limit factors HECC could use to determine a program should not be renewed and should provide universities with a substantial window (e.g., 1-3 years) for program corrections before potential closure.

- HECC should be required to take into account impacts on underrepresented students, institutional missions and priorities, statewide workforce needs and not strictly financial returns to the individual.
- Decisions must be guided by well-researched policy, not ideological preferences.

3. Appropriate a separate salary pool to support essential compensation increases alongside the biennial adoption of the Public University Support Fund (PUSF).

Rationale: This would set reasonable state-level expectations for institutions and their employee groups about biennial compensation increases.



Photos by Allison Shelley/Complete College Photo Library

4. In setting priorities for state higher education capital investments, the HECC and the Legislature should place a greater emphasis on IT infrastructure replacement.

Rationale: Many public universities currently rely on systems that are 20+ years old. These systems are inadequate for current needs and vulnerable to cyber attacks. Some institutions are preparing to replace enterprise-wide systems, or are in the process of doing so.

Key Considerations



State-backed bonds (Article XI-Q and XI-G) can be used for IT infrastructure, as long as they create a capitalized asset.

- Using state-backed bond funding to replace major IT systems would reduce institutional costs and improve operational efficiency.
- State funding can also be used as an incentive for institutions to build common IT platforms that can help promote inter-institutional integration, as described in Recommendation 1.

5. Fund targeted sustainability and integration efforts at the public universities.

Rationale: The one-time funding that the Legislature provided in 2024 to improve financial sustainability efforts at the TRUs and PSU support efforts to streamline academic programs, improve student services, and share administrative services.

Key Considerations



Expanding this work to encompass all public universities – and possibly community colleges – would help achieve the benefits of a broader, collective approach.



The Legislature should consider establishing a strategic fund within the Public University Support Fund that could be deployed for these purposes.

- This could resemble the strategic fund within the Community College Support Fund.

Thank You

Questions?



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