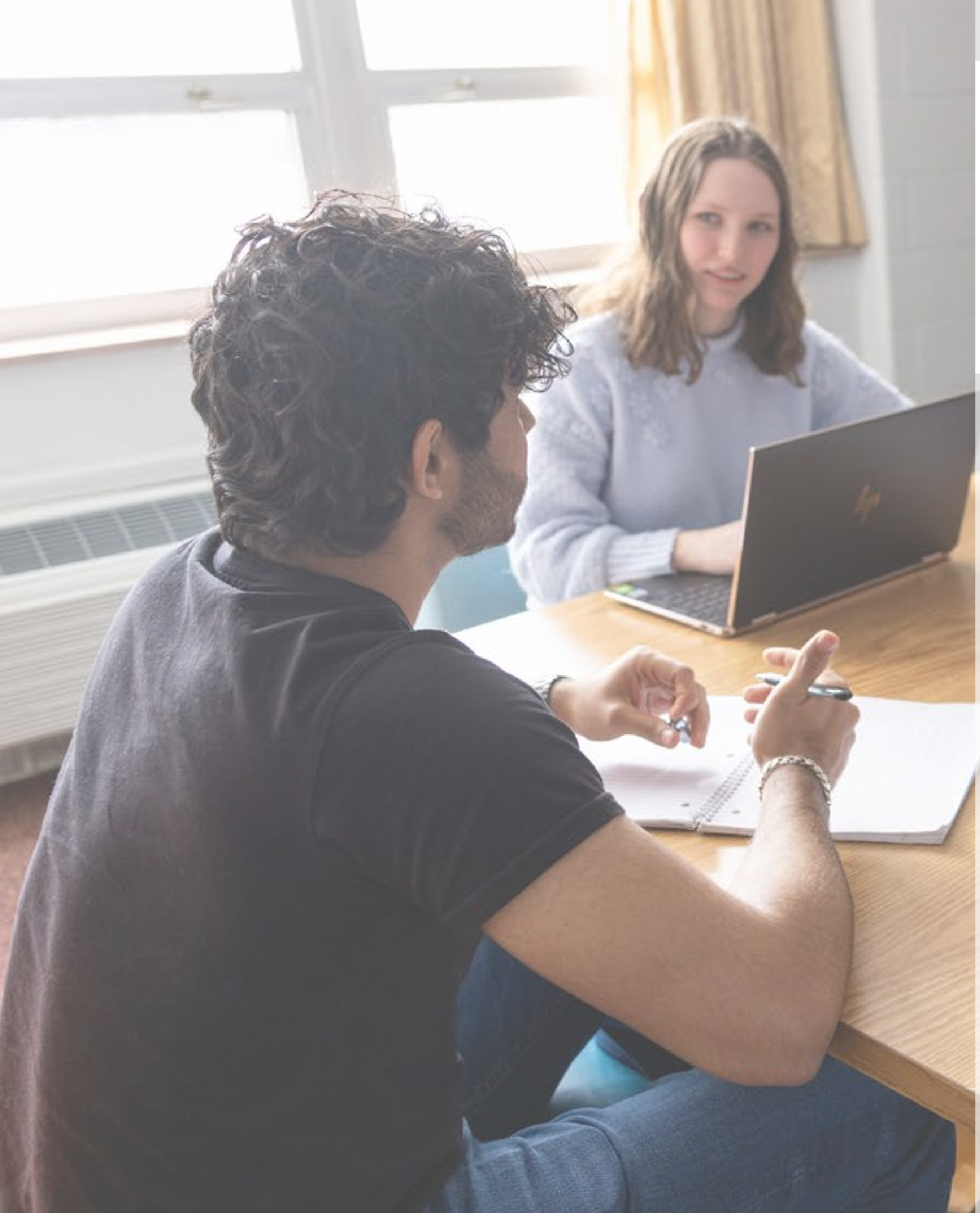

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HIGHER EDUCATION COORDINATING COMMISSION

HB 4124 Background:

Oregon Public University Spending and Efficiency Report

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Oregon Higher Education Coordinating Commission

February 4, 2026

HB 4124 Overview

Directs the HECC, in consultation with public university faculty, staff, students, and interested parties, to study the condition of Oregon’s postsecondary system and develop recommendations for a superior institutional framework that supports student access, economic development, and institutions’ financial viability.

Recommendations must address:

- The distinct objectives and missions of each category of postsecondary institution in the state; and
- Opportunities for collaboration, restructuring, or integration.

Recommendations may also address:

- Development of academic programs and services to meet the state’s workforce needs;
- Instances of unnecessary program duplication in postsecondary education;
- Services that connect students and graduates to employment;
- Funding strategies, including to support collaboration/integration/restructuring
- Development of metrics for affordability and institutional financial health.

Report and recommendations due to the Legislature by December 1, 2026.

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Background: Purpose of the Report, Partner Engagement

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

The report was required by a budget note in the HECC budget bill (SB 5525, 2025).

The report went through a three-stage review process with universities, DAS, LFO and LPRO. The commission discussed it twice at public meetings and adopted it on Jan. 6, 2026.

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.**

Key Report Findings

Student Costs

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

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.

University Spending

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

E&G (General) Fund Spending

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.

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.

Cost Efficiency

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

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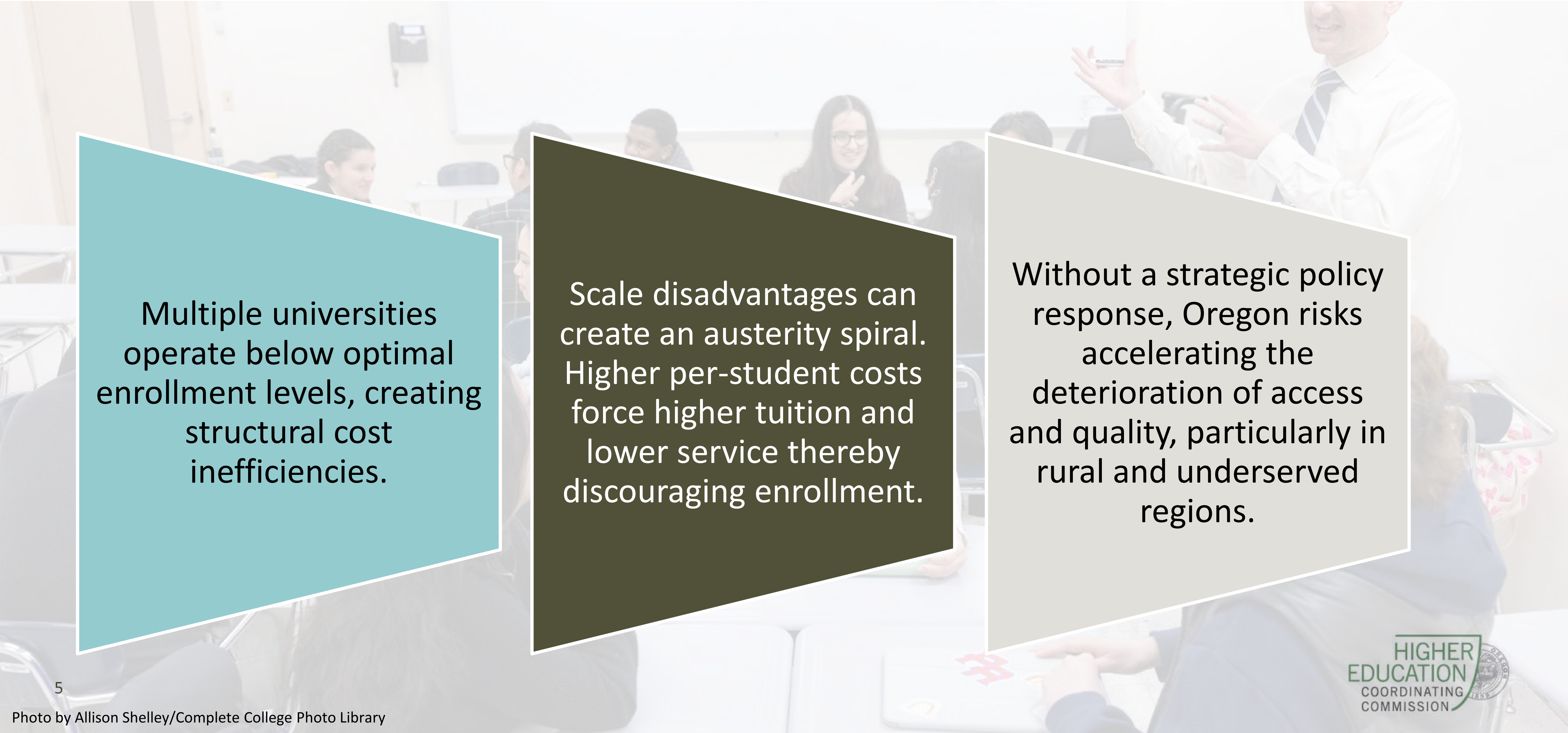
Policy Implications



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.

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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.

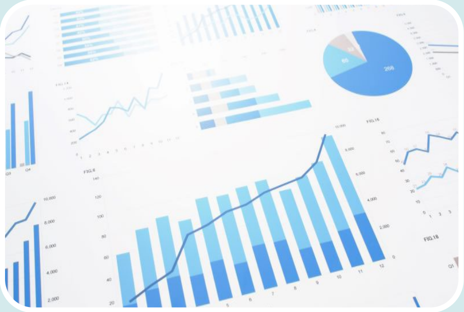
Planning should consider models for integration on a statewide or regional basis.

- 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.

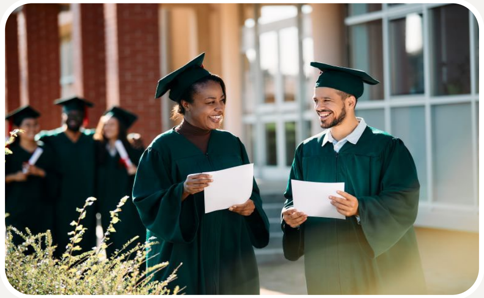
- Administrative services include payroll, procurement, compliance, auditing, IT, legal, etc.
- This should be informed by the result of the shared services analysis currently underway for PSU and the Technical and Regional Universities (TRUs), but may be broadened as well.
- An independent, third-party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

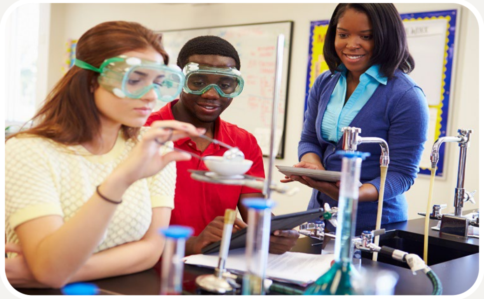
Rationale: Today, new degree programs and significant changes to degree programs must be approved by HECC, but no mechanism exists for the state to review programs for sustainability, value, or other criteria.

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.



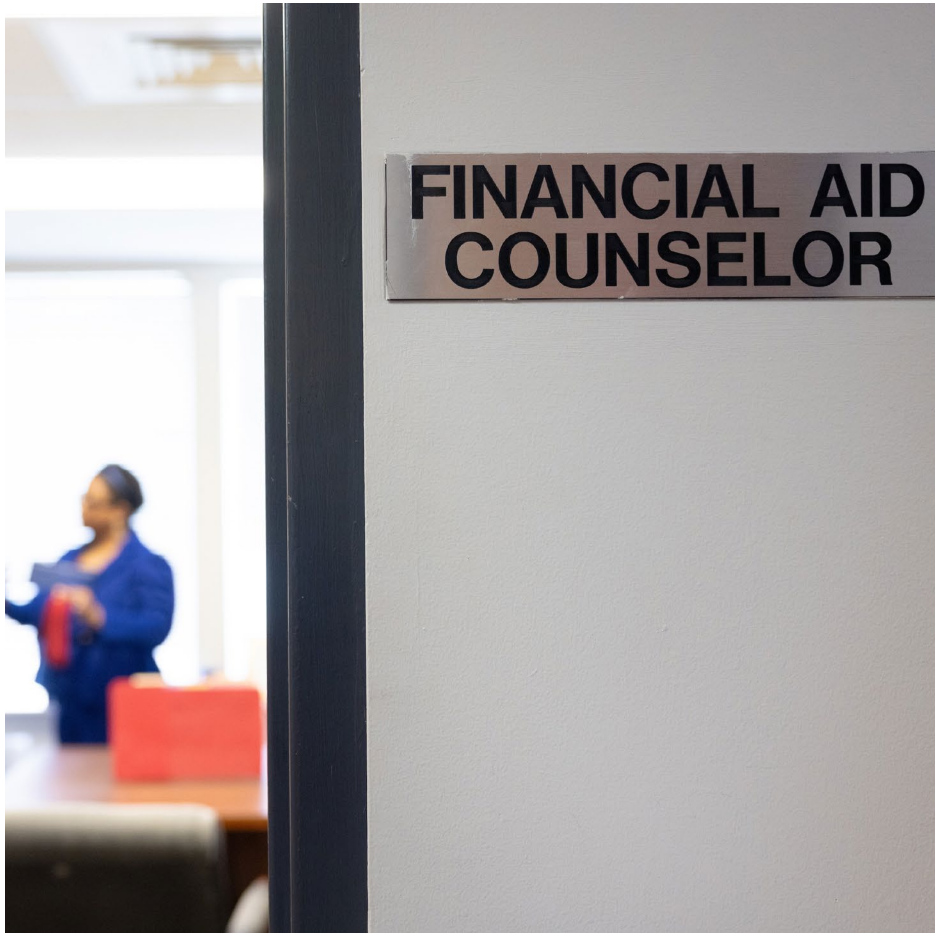
Legislation should strictly limit factors HECC could use to determine a program should not be renewed and should provide universities with a substantial window (e.g., 1-3 years) for program corrections before potential closure.

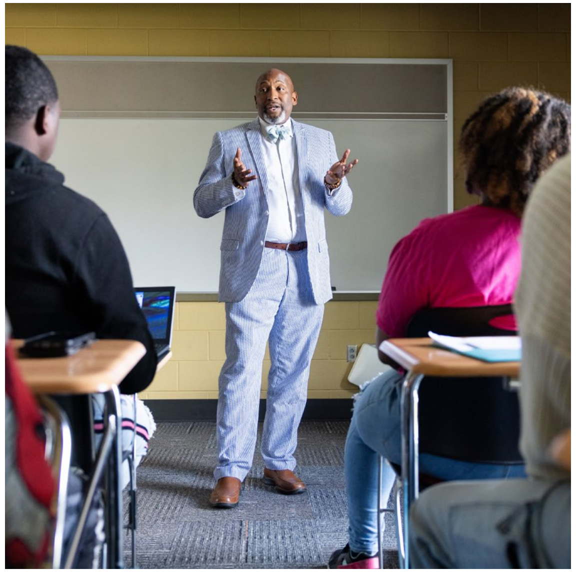
- HECC should be required to take into account impacts on underrepresented students, institutional missions and priorities, statewide workforce needs and not strictly financial returns to the individual.
- Decisions must be guided by well-researched policy, not ideological preferences.

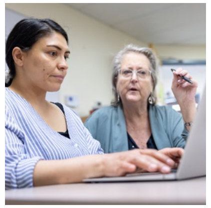
*This recommendation would likely require amendments to ORS 350.075 and 352.089.

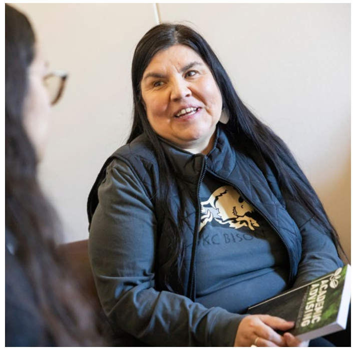
3. Appropriate a separate salary pool to support essential compensation increases alongside the biennial adoption of the Public University Support Fund (PUSF).

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









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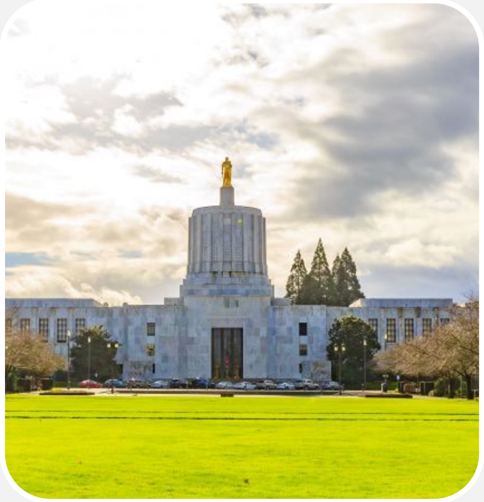
4. In setting priorities for state higher education capital investments, the HECC and the Legislature should place a greater emphasis on IT infrastructure replacement.

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



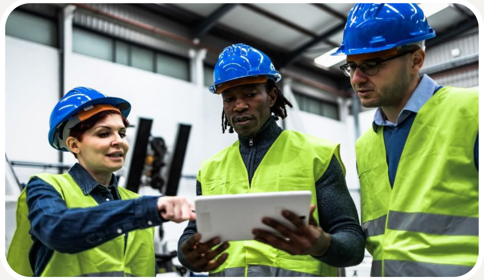
State-backed bonds (Article XI-Q and XI-G) can be used for IT infrastructure, as long as they create a capitalized asset.

- 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.

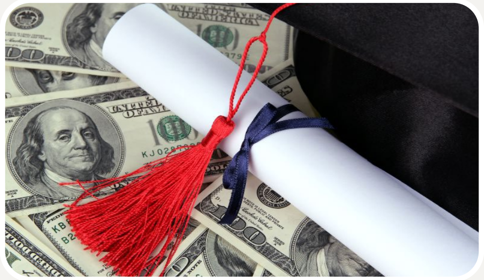
5. Fund targeted sustainability and integration efforts at the public universities.

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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House Committee on Education

Ben Cannon, HECC Executive Director

February 4, 2026