Oregon
Kate Brown, Governor

Higher Education Coordinating Commission
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Salem, OR 97310
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Governor Kate Brown
State Capitol
900 Court St. NE, Suite 254
Salem, OR 97301

Dear Governor Brown:

As described by Oregon statute, the Higher Education Coordinating Commission (HECC) receives requests from public universities that wish to request state funding for capital funding, and shall decide whether, and in what manner, to make a request for the issuance of state bonds to the Legislative Assembly" (ORS 352.089(5)). In recognition that state debt capacity is limited and that competition for state bonds is high, the Commission has elected to prioritize university capital requests based on their alignment with state and institutional priorities, as well as their ability to leverage additional, non-state funds.

The HECC employs a transparent, deliberate, public process to prioritize capital requests for public universities. To permit an objective analysis of each project request, the HECC adopts and promulgates a Capital Rubric (the Rubric) that assigns point values to projects and reflects many of the following Commission-adopted principles:

- All state backed debt prioritized and approved by the Commission will support the Commission's strategic plan as well as class, lab, research or student services needs identified by the public university from which the request was received.
- A plan for supporting the ongoing operational and maintenance needs of current and proposed capital assets, including deferred maintenance and building renewal, must be in place if an institution seeks to expand their capital portfolio.
- General obligation debt incurred by the state on behalf of institutions for the construction, purchase, or refurbishment of real property will principally serve either to (a) ameliorate constraints within the post-secondary system of higher education by expanding institutional capacity to support student access and completion; (b) extend the useful life of capital assets; or (c) develop or extend key competitive advantages that comport with the state's education, civic, cultural, and economic needs.
- The HECC will encourage projects that generate operational cost savings through the refurbishment or repurposing of existing facilities or the construction of new facilities.
- The HECC, in conjunction with the institutions, will evaluate the efficient utilization and proper maintenance of current capital assets in determining the need for the purchase or construction of additional capital assets.

- Collaboration between multiple educational, civic, state and private institutions will be encouraged.
- Where possible the leveraging of non-state resources will be encouraged in order to maximize mission attainment.
- The HECC will advocate for a level of state-paid capital debt that is adequate to provide institutions with the most cost-effective means of addressing deferred maintenance, life-safety, and code compliance needs that rise to the level of capital expenditures.

In addition to these principles, the Rubric assigns additional points to each project based on how the submitting university (including Oregon State University Cascades campus) ranks it relative to its other state capital requests.

Having now employed the Rubric for two biennium with little modification, we can observe several noteworthy effects and limitations:

1. Projects that do not directly result in student-serving facilities are unlikely to score highly. For example, an OSU-Cascades request for 2017 funding to conduct costly site preparation scored poorly using the Rubric due to the fact that the project itself did not directly result in a facility that eases capacity constraint, supports student completion, or other strategic goals of the HECC -- and in spite of the fact that it was a necessary pre-condition to construction of a building that would earn points in those categories (which together represent 30 out of the 100 points attainable on the Rubric). Similarly, a Southern Oregon University request for 2019 funding to demolish a dilapidated general purpose building scored relatively poorly due to the fact that the project generates no new student-serving functions directly. In each case, the universities have made prudent requests that may go under-rewarded by the Rubric. For future biennia, the HECC will consider modifying the Rubric to reward projects that take a staged approach to capital development, even when they don't directly or immediately result in student-serving facilities.
2. The Rubric's emphasis on reducing deferred maintenance and generating cost savings results in a subtle preference for projects that involve rehabilitation and renovation over new construction. For example, OSU-Cascades' request for 2019 funding for a new student success center was able to generate relatively few points in the categories of "cost savings" or "life, safety, and code compliance" (sections that together represent up to 20 points on the Rubric). For future biennia, the HECC will consider modifying the Rubric to reward new construction – especially if the university has provided a mechanism to ensure that it is continually maintained and thereby does not impose future deferred maintenance obligations upon the state (e.g. a maintenance reserve fund).
3. Finally, the Rubric directly and intentionally favors projects that leverage additional matching funds, with up to 15 points possible in this category. Generally, this has

benefited institutions that have greater fundraising capacity and, to some extent, has tended to mitigate the effects of issue #2 above. Additionally, the scoring process does not take into account from where the matching funds are derived; at least one university indicated in 2018 that its project “match” will come from the university’s general funds, not earmarked philanthropy. These may be additional issues for the Commission to consider prior to launching its 2021 scoring and ranking process.

The HECC recognizes that the Rubric is an imperfect tool for prioritizing capital requests, and we are committed to continually examining how it can be improved. The Commission has recently launched a major effort to assess the state’s 10-year university capital needs given the current inventory of public university buildings, demographic and educational trends, workforce needs, and the state’s higher education goals. We expect that the results of this effort will help the Commission become more strategic in future efforts to score and rank university capital requests.

Thank you for your continued support of Oregon higher education.

Sincerely,

Neil Bryant
Chair