

March 15, 2018

Neil Bryant, Chair
Ben Cannon, Executive Director
Oregon Higher Education Coordinating Commission
255 Capitol St. NE, Third Floor
Salem, OR 97301

Dear Commissioners of the Funding & Achievement Subcommittee and Staff,

I am grateful for the time and staff resources the Higher Education Coordinating Commission (HECC) is dedicating to the consideration and prioritization of capital investments in the 2019-21 biennium. Public universities are centers of student learning, research, and economic growth; campus infrastructure is the foundation upon which these activities succeed or fail.

Given the importance of capital construction and the limited capacity available, it should not be surprising that the seven Universities could not unanimously agree on a set of recommended changes to the HECC's rubric. Each campus has its own perspective based on the individual challenges they face and populations they serve. There was, however, one point on which all campuses could agree. The state's recent investments in capital construction funding have been critical. The level of investment should not only be sustained—it should grow. Expanding the size of the pie will enhance outcomes for students and lead to discoveries and innovations that drive Oregon's economy. What's more, universities aggressively pursue philanthropy and leverage private matching dollars to the state's investment.

Public universities represent nearly half of all state-owned assets. Ideally, they would receive a parallel amount in state-backed debt issuance. If, as I suspect, state leaders are unwilling to increase investment to this level, we must work together to increase capital investments for public universities and also prioritize critical deferred maintenance projects. This would allow campuses to make significant progress toward addressing backlogs in our capital portfolios.

The Commission often references its role as "steering and cheering." The latter is particularly important in this arena. We need you to be a strong advocate for investments in university capital within the agency request process, the development of the Governor's recommended budget, and with legislative leaders in the 2019 session.

The University of Oregon would also suggest the following modifications to the current rubric:

Increase Focus on Deferred Maintenance: Universities have a crippling backlog of deferred maintenance needs. Without continued investment from the state, we will struggle to be good stewards of state assets, will force students to learn in environments that are not designed for the 21st Century, and will have buildings with critical life and safety concerns. The Commission should adjust the rubric accordingly, showing a much stronger preference to projects that



renovate existing facilities. This would align with recent feedback from the Legislature, including the recent budget note that stated:

“Public University Capital Requests Prioritization Criteria Report: The Higher Education Coordinating Commission is directed to report to the Emergency Board in May 2018 on the statewide criteria developed to evaluate and prioritize Public University capital requests that are proposed in the agency’s request budget. The criteria and evaluation process should provide, at a minimum, comparable information across projects, objective analysis of each request, and prioritization of deferred maintenance activities.”

Emphasize Research: The UO is a public research university and its faculty and entrepreneurs fuel the future of Oregon’s economy and provide invaluable, hands-on research opportunities for students. As such, research is a core piece of our mission and my strategic vision over the next decade. Sponsored research and innovation activity contribute tens of millions of dollars to Oregon’s economy each year. Discoveries do not stay confined to the laboratory—they create jobs for the people who live in our communities, pay state taxes, and send their children to our schools. UO had \$8.86 million in licensing revenue in FY 2017, 87% of which was reinvested into academic units, innovators, and the State of Oregon. During my tenure, I have worked to invest in hiring more tenure track faculty, establish the Phil and Penny Knight Campus for Accelerating Scientific Impact, and foster a culture of academic excellence that will see an economic and social return for all Oregonians for generations to come. The rubric should recognize this reality and preference investments that aid in the economic and research activity of the institution.

Evaluate Enrollment Holistically: Enrollment growth should be evaluated with an analysis of data around campus growth, and the tradeoffs between online education and full-time enrolled students. Although online student populations do require significant IT infrastructure, they do not necessitate equal levels of investment in brick and mortar spaces. Online enrollment should be disaggregated within data and should not be given the same weight in capital project rankings. The rubric should also consider what the past state capital support has been on a per fundable FTE student basis for each campus. Some of the campuses that have been growing the most in recent years already receive a much higher level of state capital support per fundable student FTE than other universities.

Eliminate the Campus Priority Points: These points were more useful when the institutions submitted longer lists of projects to the Chancellor’s Office as it enabled campuses to signal which ones were most important. With a shorter “tier one” list being developed for the HECC, all these points effectively do is favor smaller projects.

Finally, given the short time frame for decision making on this issue, we would suggest that the Commission hold off on any wholesale changes to the rubric without going through a process that allows for a review of specific proposed changes, thorough analysis, discussion, and review of the issues.

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We appreciate the Commission's willingness to engage in this important issue. We welcome the opportunity to engage in a dialogue with you as you rank capital projects for the upcoming biennium and respond to legislative requests to evaluate decision making on capital investments.

Sincerely,

A handwritten signature in black ink that reads 'Michael Schill'.

Michael H. Schill
President and Professor of Law

