

Establishing Need

ORS 350.075 (3)(f) stipulates that the HECC adopt rules governing the distribution of support funds with the rules based on allocation formulas developed in consultation with the public universities. Further, OAR 715-013-0025 states, “weighting factors and data definitions within the SSCM will be examined by HECC staff and stakeholders as appropriate. Reexamination shall occur in the even year of every third biennium thereafter.”

Since the last review occurred during calendar year 2020, this has been interpreted as the convening of a workgroup of partners in collaboration with HECC staff to consider changes to the Student Success and Completion Model (SSCM) during calendar year 2026. The workgroup’s recommendations will be advisory to HECC staff. A detailed review timeline is included below with rulemaking (as needed) proposed for fall 2026/spring 2027 and implementation (as needed) beginning with FY2028 (i.e., starting July 1, 2027).

Background

To begin the process of creating a proposed workgroup charge, HECC staff reached out to the university Vice Presidents for Finance and Administration (VPFAs) and the Oregon Council of Presidents (OCOP) during August 2024. Partners expressed limited support for a full policy review, want to focus on funding adequacy, and support revisiting the area of study bonus mechanism with the goal of greater workforce alignment. A catalog of the 29 issues raised and more information about the themes that emerged is included in the appendix.

HECC Staff Recommendation

As a result, HECC staff recommends conducting a limited scope review during the 2026 cycle. While maintaining the current outcomes-based design, the review will focus on workforce alignment and certain technical issues. Consistent with OAR 715-013-0062 (9), an examination of the Engineering Technology Sustaining Fund (ETSF) allocation methodology will be conducted. Also, although not directly related to the SSCM, the workgroup will be invited to weigh in on funding adequacy. A detailed list of workgroup charges is included later in this document.

Review Timeline

- Summer 2025 – HECC staff prepares for review process. This includes collaboration with the universities on a proposed workgroup charge.
- October 2025 – Commission considers, and potentially endorses, a proposed workgroup charge during the Funding and Achievement (F&A) subcommittee meeting.
- December 2025 – Universities/partners appoint workgroup members.
- January – June 2026 – Workgroup deliberations. It is expected the workgroup will want to meet approximately once a month. With updates to HECC F&A as appropriate.
- Fall 2026 – HECC staff recommendations presented for consideration.

- Winter/Spring 2027 – Rule making process as needed.
- July 2027 (FY2028) – Implementation of adopted changes with a stability mechanism as needed.

Operating Assumptions

As part of the process, certain operating assumptions are made to establish the environment in which the model exists.

- Fundamentally, the SSCM is designed to allow for the distribution of state funding in support of student access and completion and applies objectively to all public universities without regard to winners and losers.
- It is not a tool used to govern but rather a tool used to marshal resources in the pursuit of the state’s higher education goals.
- The fundamental architecture of the SSCM is sound, and the HECC is unlikely to entertain a major departure from its primary focus on degree outcomes, enrollment, and mission funding, with weighting to reflect program costs and state policy priorities including equity and workforce alignment.
- The governance of the institutions across all funding sources, including those revenues defined by the SSCM, is left to the independent university boards.

Guiding Principles

With the operating assumptions established, any changes to the funding model should:

1. Reflect the Commission’s strategic plan and Equity Lens.
2. Focus on student access and success for Oregon residents with an emphasis on underserved populations.
3. Encourage educational attainment in high-demand and high-reward disciplines.
4. Recognize and reward distinctions in institutional mission and scope.
5. Recognize the cost differences in various academic program areas.
6. Use clearly defined, currently available data.
7. Maintain clarity, simplicity, and stability.

A stop loss/stop gain mechanism may be used to promote stability should modifications under consideration to the SSCM result in material changes to estimated allocations.

Workgroup Membership

The membership of the workgroup shall include representation from the universities and other partners. Consulting experts may participate to offer guidance and provide technical support with more details in the appendix. The goal of the workgroup is to provide HECC staff with a set of consensus-based recommendations in response to the workgroup charges. Committees may be formed as appropriate. The proposed membership of nineteen includes:

- Seven Public Universities – one member each
- Interinstitutional Faculty Senate – one member
- Workforce and Talent Development Board (WTDB) – two members
- Local Workforce Development Boards – one member
- Industry Consortia – two members
- Current Student – one member

- Business/Workforce Representative – one member
- Community Leader – one member
- Economic Development – two members

The university presidents will be asked to appoint members to the formula advisory workgroup from a cross section of institutional areas. The organizations represented on the workgroup will be allowed to appoint both a primary and alternate member with the expectation that the primary member will substantially engage in deliberative decisions. The alternate member will appear in the primary member's absence and/or to support the primary member's engagement.

HECC staff will support the workgroup and will likely include representation from the Office of Postsecondary Finance and Capital, the Office of Workforce Investments, and Future Ready Oregon with support from the Office of Research and Data. Additional staff from other state agencies or partners may observe and provide support as needed.

Workgroup Charge

The SSCM Review Workgroup is charged by the Commission to consider features of the SSCM and the Engineering Technology Sustaining Fund (ETSF) distribution model. The charges identified are based on HECC staff discussions with internal and external partners. If the workgroup chooses to add any charges, it is expected the workgroup will address the Commission's charges at a minimum. The charges include:

1. **Area of Study Bonus.** One of the guiding principles of the SSCM is to encourage educational attainment in high-demand and high-reward disciplines. As a result, the SSCM includes an area of study bonus to provide additional resources for resident students who complete degrees in priority areas which currently includes STEM (science, technology, engineering, math), healthcare, and bilingual education. The magnitude of the bonus is twenty percent relative to the general value of a baccalaureate degree. Work was done during the previous review to redefine eligible STEM degrees.
 - a. The workgroup shall consider whether the areas of study identified for a bonus within the existing SSCM are aligned with Oregon's workforce needs.
 - b. The workgroup shall consider if the areas of study identified for a bonus should be limited to high-demand and high-reward occupations or if other occupations, such as those essential to a well-functioning society even if not highly paid, should be incentivized as well.
2. **Engineering Technology Sustaining Fund (ETSF).** Dating back to the late 1990's and intended to help engineering and computer science talent thrive in Oregon, the ETSF is a public university state program. The current funding allocation methodology dates to 2018. All seven public universities receive an allocation for base funding with the remaining available funding allocated based on degrees conferred to Oregon residents in targeted fields, research spending and doctoral degree production, and jobs/wages of graduates from targeted programs employed in Oregon.
 - a. Pursuant to OAR 715-013-0062 (9), the workgroup shall consider the CIP codes and other factors within the ETSF allocation methodology for alignment with Oregon's workforce needs.

- b. The workgroup shall consider policy alignment between the Area of Study bonus (funded through the PUSF) and the ETSF (funded through state programs) to ensure both are working together to support Oregon’s strategic priorities and postsecondary goals.
3. **Transfer Alignment.** One of the guiding principles of the SSCM is to focus on student access and success which is predominantly expressed through the outcomes-based component. During the last review cycle, the SSCM was amended so that degrees earned by Oregon community college transfers are now worth the same as non-transfer degrees. This was done to improve student affordability and to support existing policies/practices around the Core Transfer Map, Major Transfer Map, and the Common Course Numbering system. As noted in the Oregon Higher Education Landscape Study¹, the universities will benefit from institutional collaborations in both administrative and academic functions potentially including multi-institutional approaches to the delivery of academic programs.
 - The workgroup shall consider removing the existing transfer discount.
4. **Technical issues.** Simplify the design and operation of the formula workbook without compromising the existing, embedded policy decisions. Also, consider the current data element definitions as necessary.
 - a. The workgroup shall consider how to simplify existing calculations, in alignment with existing policy decisions.
 - b. The workgroup shall consider, for the purposes of ensuring a more accurate accounting of low-income students, how to collaborate with the universities to collect FAFSA information from enrolled students.

Policy Discussion

The SSCM Review Workgroup is also invited by the Commission to provide perspective and advice on funding adequacy. Although not part of the SSCM, during conversations with partners about a potential review, many expressed an interest in assessing funding adequacy as it relates to the total funding made available through the public university support fund (PUSF) for distribution via the SSCM. Recent national work on this topic provides different approaches. The workgroup’s recommendations will be advisory to HECC staff.

An assessment of funding adequacy aligns with a recommendation made in the Oregon Higher Education Landscape Study, certainly as it relates to capacity building within the framework of financial sustainability. This is also supported by recent research which finds that while the way funds are allocated has a modest relationship to student outcomes, the amount of state funding available likely matters more and has a larger impact on student outcomes.²

- a. The workgroup shall consider varying methods/models for assessing funding adequacy for Oregon’s public universities in alignment with the SSCM’s guiding principles.

¹ *Oregon Higher Education Landscape Study*, National Center for Higher Education Management Systems (NCHEMS), September 23, 2022, pages 11 and 12.

² Kelly Rosinger, Robert Kelchen, Justin Ortagus, Dominique J. Baker, and Mitchell Lingo. *Designing State Funding Formulas for Public Higher Education to Center Equity*. Brookings Research, The Brookings Institution, August 9, 2024.

- b. The workgroup shall make a calculation of the funding adequacy for each public university which accounts for differences in institutional mission and the characteristics of students served.

Appendix – Themes from Partner Meetings

HECC staff met with each VPFA and OCOP to assess their thoughts on what priorities this review cycle should focus. The goal was to begin the work of creating a potential workgroup charge and to assess the type of review that may be needed. All the meetings occurred during August 2024. HECC staff also met internally with R&D staff to include their perspective.

Focus on getting more funding before, or instead of, changing the distribution formula. Some proposed spending more time/resources on revisiting the CSL calculation methodology. Some agree the formula is reasonable in its policy aims, but even those that don't, assert that the historical problem has been the lack of funding that flows through the distribution model. At least one pointed out that at some level of reduced funding, the design of a distribution model will not provide much incentive to achieve the state's objectives.

Limited support for a full policy review. The scope of the review will likely have to be limited because of two factors: One, turnover at the VPFA level (OSU, PSU) with at least three interim VPFAs currently (SOU, WOU, EOU) leads to thinking that a robust, complicated, lengthy policy review will likely be outside the ability of the VPFAs to support. Two, if additional funding will not likely be appropriated for the PUSF (above CSL), then there's little support for a review because they see limited additional financial benefit. Having said that, they do seem to support a limited review that focuses potentially on certain technical issues.

Revisiting the area of study bonus to better align with the state's workforce needs. HECC staff proposed focusing on reviewing the AOS mechanism with workforce and other partners to align policy objectives. This is something left over from the previous review. The VPFAs generally supported this idea which led to questions about data sourcing and the strength of the incentive.

Reconsider adding non-resident students to the distribution model. The NCHEMS landscape study made this recommendation and many of the VPFAs suggested doing so. The question asked specifically by some was, if non-residents are graduating, shouldn't we incentivize keeping them in Oregon to support our state's workforce needs? The distribution model already includes non-resident doctoral students.

Appendix – Consulting Experts

HECC staff will work with, and include in the workgroup meetings, several outside experts to support the process. More information on each interaction is included below.

Funding Adequacy Workbook

HECC staff will work with SHEEO, HCM Strategists, and staff from the Tennessee Higher Education Commission (THEC) on a Practitioner’s Guide to Calculating Adequacy. HCM is scheduled to provide the Practitioner’s Guide in August/September 2025 with direct technical assistance in fall 2025 to support the upcoming SSCM review.

HCM will develop a “workbook” that provides a set of steps and prompts to guide states through the phases of developing an adequacy framework. This guide will position states to undertake a more comprehensive process to develop an adequacy calculation. They will understand the questions needed to be asked, the data sources that can inform those questions, the process options, and stakeholders to engage. The guide will be based on the process that the Illinois Commission on Equitable Public University Funding went through. It will highlight the decisions that the Commission made, the trade-offs faced, and other options states could choose.

The guide will include sections on:

- Establishing the framework: Selecting the elements of adequacy and resources to be included (e.g., research, auxiliaries, endowments, etc.).
- Building the adequacy target: Identifying baseline amounts, student adjustments, and institutional adjustments.
- Building the resource profile: Identifying estimates of available resources.

Support for a review of the Area of Study Bonus (AOS)

HECC staff will work with MDRC staff in support of the review of the Area of Study bonus. This may include analysis and research on policy proposals for revising the AOS in alignment with the needs of Oregon’s economy.

MDRC is a nonprofit, nonpartisan organization that conducts rigorous studies of programs and policies that affect people with low incomes, actively disseminates the lessons to policymakers and practitioners, and works directly with programs and agencies to help improve their effectiveness and efficiency.

Appendix – Comprehensive List of Issues Identified

| Issue | Explanation | Type | Source |
|--------------------------------|--|-------------|---------------|
| Definition of rural students | federal definition and local definition are different. Some neighboring counties are defined differently. | technical | EOU |
| Area of study bonus | look at what we are currently bonusing and realign with workforce needs. | policy | HECC |
| Cost weights | look at weights again. Business and education shouldn't have the same weight. It's hard to judge how much a program actually costs. | technical | EOU |
| Mission support | MS was thrown together quickly and needs to be revisited; does it still align with policy and is it working as intended? | technical | EOU |
| Simplification of formula | | technical | EOU |
| Targeted programs | How do targeted programs, such as COFA fit into the formula? Do they? Big picture, what should be included in the formula and what should be a separate state program? | | EOU |
| New programs | it's hard to see results in the formula from new programs because of the three-year average | | EOU |
| Nonresident students | Revisit the exclusion of out-of-state students in university funding model. | policy | NCHEMS |
| Reformatting the SSCM workbook | use pivot tables to make it easier for institutional staff to manipulate data | technical | SOU |

| Issue | Explanation | Type | Source |
|-----------------------------|--|------------------|---------------|
| Modeling | When modeling potential changes - use up to date data, show one change at a time | review process | EOU |
| Timing of review | think about session, tuition setting, etc | review process | EOU |
| Implement changes over time | Rethink stop loss/gain | review process | EOU |
| CIP codes | 6-digit, 4-digit? Do we only go down to the 6-digit for STEM? | technical | HECC |
| Transfer | open up transfer pathways and reward institutions that complete transfer students | policy | SOU |
| TRUs vs Bigs | two formulas? How do we avoid the competition we currently have? Can more funding be fixed/mission based? | policy | SOU |
| Research | Should we incentivize research outside the formula? If we leave it we should look at a different method (not federal data) | technical/policy | OSU |
| OSU - Cascades | Getting bigger, should we rethink how they are treated in the formula? | policy | OSU |
| Technical review only | We have a lot of new/interim VPFA's, it doesn't make sense to do a full review right now. Also, we should wait longer to see effect of changes made in 2020. | review process | OSU |
| Affordability | Can we somehow use the formula to affect affordability? Incentives for keeping tuition below average? Sufficiency funding? as a policy area, how does the formula affect affordability? How do we define that issue related to formula funding? Affordability is currently a key performance indicator for the HECC. We report on that indicator every year. But how does the formula relate to it, or should it at all? | policy | PSU |
| Purpose statement | Purpose of review, clear objectives. | review process | UO |
| Graduate completions | Should we be funding any graduate completions? It's not equitable across all 7. | policy | UO |

| Issue | Explanation | Type | Source |
|---------------------------------|---|-------------|---------------|
| First gen and students of color | Financial emphasis given based on percentages of these populations. | policy | WOU |
| Unresolved data issues | Bilingual ed, veterans, low income (PELL excludes DACA) | technical | HECC |
| Equity bonus | we use an incentive for targeted populations in the outcomes portion of the formula. We associate a 50-60% bonus. Is that enough? For example, the magnitude of the incentive could be informed by a comparison of degree attainment rates between at-risk students versus those not considered at-risk. Are there other factors? The rates of course completion between at-risk versus not at-risk students could be considered. | policy | HECC |
| Strategic fund | the community college support fund (CCSF) includes a strategic fund which is 0.75% of the amount appropriated for the CCSF. This fund is used to support strategic initiatives that benefit all the institutions and also to pay for legislative changes that could impact all the institutions. Should the universities consider something similar? How might that be structured? | policy | HECC |
| Mission orientation | Ensure that funding allocation models reflect institutions' varied student characteristics and academic profiles | policy | NCHEMS |
| Mission orientation | Ensure that outcome-based funding allocations reward production of all certificates and degrees of value, including noncredit certificate programs, with extra weight for high priority workforce fields, underrepresented individuals, and institutional collaboration | policy | NCHEMS |
| Funding adequacy | At least biennially, determine the adequacy of funding for each public institution. Assure that | policy | NCHEMS |

| Issue | Explanation | Type | Source |
|------------------|---|--------|--------|
| | HECC funding model provides at least adequate support | | |
| Funding adequacy | At next PU funding model review, ensure that the model addresses frugal institutional needs (base), cost variation based on size and program array, performance incentives, and new investments to meet regional/state needs in relation to operational missions. | policy | NCHEMS |