HIGHER EDUCATION COORDINATING COMMISSION

2026 Financial Sustainability Reports

Funding & Achievement Subcommittee

Docket Item 3.0a

Postsecondary Finance & Capital

June 2026

Presentation Overview

1. Purpose of Monitoring
2. Accessing Sustainability
3. Broader Trends
4. Key Takeaways

Dual Perspective of Financial Reporting

Financial reporting for public universities is complicated due to fund accounting. Two distinct reporting perspectives can create confusion.

Annual Financial Report

- Includes all funding and spending; economic resources basis; like that of a business type activity (BTA).
- Reviewed by an independent auditor who verifies the information accurately reflects the financial position of the institution.
- Three financial statements.

Quarterly Fund Report

- Used for budgeting and quarterly financial updates.
- Often limited to the general (E&G) fund and closer to cash basis (i.e., excludes depreciation/accruals).
- Used to ensure accountability in meeting funding restrictions and reporting requirements.

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Purpose Statement

The purpose of HECC financial monitoring is to support statewide policy making guided by the goals and mission of public higher education in Oregon.

Provide Advance Warning

Warning of potential financial instability for policy makers to consider.

Identify Potential Systematic Risks

Risks to Oregon's higher education infrastructure with a focus on the education and workforce mission.

Maintain an Awareness

Awareness of broader trends to inform the HECC's ARB and related recommendations in alignment with ORS 350.075 (3).

Outlook for Higher Education

- Long-term student demand uncertainty.
- Persistent expense pressures and challenging labor dynamics.
- Evolving political risks due to changing federal government policies.
- Many institutions nationally are pursuing partnerships to manage costs. Consolidations are expected to accelerate.

The outlook for 2026 is unfavorable. Rating agencies cite intense competition for students, mounting operating pressures, and increasing uncertainty.

Analysis Framework

Approach

- No singular method is perfectly capable of forecasting imminent distress.
- HECC uses a simplified approach with a higher likelihood of predicting instability.
- Simplest approach is enrollment and operating margin.
- Conditions are noted as stable, struggling 1, or struggling 2.

Metrics

Enrollment

+

Financial Ratios

+

Reliance on State Funding

+

Other Factors

Other Organizations

Regional accreditor – Northwest Commission on Colleges and Universities (NWCCU).

The federal government through the Higher Education Act (HEA); oversight of Title IV financial aid programs and through the single audit.

Credit rating agencies and other interested parties.

The metrics are informed by: Kelchen, Robert. *Examining the Feasibility of Empirically Predicting College Closures*. Economic Studies at Brookings, 2020. The condition assessment is informed by: NACUBO/Baker Tilly, *Path to Sustainability Project*, 2023.

Assessing Financial Sustainability

Operating Margin
Do revenues meet or exceed expenses?

Return on Net Assets
Does asset performance support the mission?

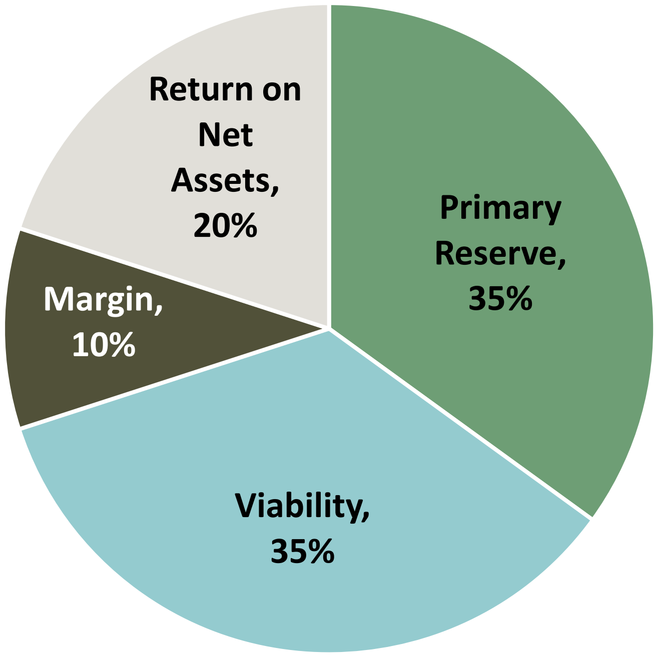
Primary Reserve
Are resources sufficient and flexible enough to support the mission?

Viability Ratio
Are debt resources managed strategically?

Composite Financial Index (CFI)

Financial sustainability is balancing the budget in the short-term while also developing the capacity for mission relevance over the long-term.

Composite Financial Index (CFI)



The calculations include all funds, the foundation, and are adjusted for certain liabilities, assets, and expenses.

The CFI combines the four ratios into a single score which measures overall financial well being.

The CFI for a given year lacks precision and is best understood over time with context.

Ideally CFI is 3.0 or above.

For FY2025, 3 universities and 14 community colleges are at or above 3.0.

Scale for CFI Performance:

-3 **0** **5** **10**

Financial Reengineering

Direct resources to allow for transformation

Allow experimentation and deploy resources for robust mission

General Fund (E&G) Data

An analysis of general fund data is included to focus on the education and workforce mission.

Key data points are summarized including total revenue and expenses, operating margin, and ending fund balance.

The goal is to identify potential systematic risk across the system. A five-year trend for each university is included. Only summary data is used for the colleges.

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Broader Trends

Demographics and Demand

Enrollment headwinds and demand uncertainty might continue to suppress the growth of operating revenue.

Strained Budgets

Balancing expenses with available revenue might continue to create budgetary strain in the short-term.

Sustainability

Capacity building will be challenging if structural budget gaps are not addressed and if fund balances are even more impaired.

State Funding

Recent increases are having a positive impact on student affordability. However, there are forecasted constraints for the state's budget near term.

Summary of Analysis

Community Colleges

Most are financially stable, but underlying pressures remain. The **growth in operating costs**, particularly personnel, **place significant pressure on budgets**.

Enrollment trends show modest recovery since the pandemic but remain below historical levels.

The colleges are increasingly reliant on state funding and **aging infrastructure represents a major financial challenge**.

Public Universities

Spending continues to grow faster than revenue creating a growing structural imbalance for most. Sustainability varies.

Enrollment has steadied post-pandemic, but the **long-term outlook remains challenging**.

State funding has helped improve affordability for many students in the recent past. **Nontraditional risks persist**.

Key Takeaways

- The CFI is based on historical data. It’s a useful, holistic performance indicator if measured over time.
- Enrollment and the operating budget remain the predominant tools available to assess financial health. Assumptions are important.
- Liquidity and fund balances should also be reported.

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