HIGHER EDUCATION COORDINATING COMMISSION

HB 4124 Study: Legislator Roundtable

Background and Higher Education Climate

Michael Dembrow, HECC Commissioner

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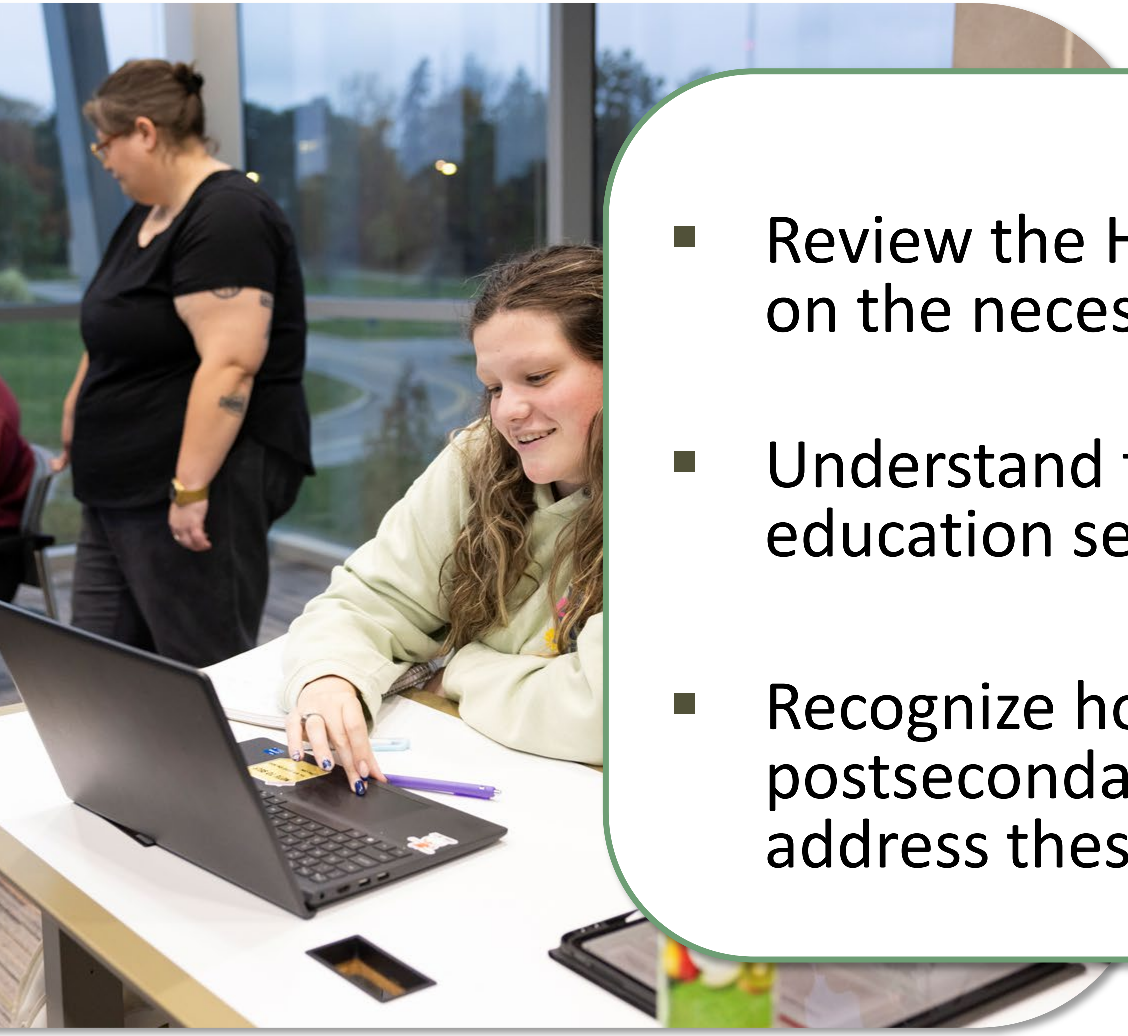
June 18, 2026


Oregon State Archives Scenic Images Collection

Today's Goals


Allison Shelley / Complete College Photo Library

- Review the HB 4124 mandate and develop a consensus on the necessity of action
- Understand the multifaceted challenges facing the higher education sector today, nationally and in Oregon.
- Recognize how the current structure of Oregon's public postsecondary system limits its ability to collaboratively address these challenges.

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About House Bill 4124: Development of the Higher Education Revitalization Study

House Bill 4124 directs the HECC to conduct a study of the condition of Oregon's postsecondary education system and to develop detailed recommendations for the design, implementation and operation of a viable and improved institutional framework for public higher education in Oregon.

Read the full bill

View the HECC HB 4124 web page

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What Does House Bill 4124 Call for?

The HECC is charged with ensuring that its recommendations:

- **support access to postsecondary education institutions** for students across geographic location, including rural communities and other underserved populations;
- **fuel regional and statewide economic development and employment opportunities;** and
- **improve the financial viability** of each postsecondary education institution in Oregon and the postsecondary education system as a whole, including by addressing projected enrollment, increased personnel costs, changes in federal law or priorities, sector-specific inflationary costs.

What Does House Bill 4124 Call for? (continued)

The Study must:

- **evaluate the distinct objectives and missions** of each category of postsecondary institution in consideration of several key variables identified in the bill; and
- **identify opportunities for collaboration, restructuring, or integration in the postsecondary system.**

The study may also make recommendations on several other topics identified in the bill.

The HECC is required to consult with faculty, staff, students, and other public institution partners in the development of the report. **The HECC must provide a preliminary report to the Legislature by October 1, 2026, and submit a final report by April 1, 2027.**

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Key Points

House Bill 4124 recognized that higher education faces significant **financial, enrollment, and structural** challenges, and the sector must adapt to remain viable and effectively serve students and communities.

Oregon is not alone in facing these challenges—they are common in other states. Yet, our current higher education system poses unique challenges to collaboratively addressing them.

Higher education's multifaceted challenges require multifaceted solutions. Greater investment in institutions—while critical—is insufficient on its own to solve the sector's complex problems.

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Oregon's 24 Public Institutions – Pressures Placed on the Independent Governance Structure

Prior to 2015, Oregon's seven public universities were governed as a system by a central Board of Higher Education. The dissolution of OUS and the state board increased institutions' autonomy.

With this change, the HECC was created as a central coordinating board across all sectors.

Oregon's 17 community colleges have long been governed by local-elected boards of education.

The independent governing structure for public universities allowed institutions to adapt to regional economic and workforce needs.

However, competition among institutions for students and resources has increased, and has placed pressure on institutions to independently navigate the financial, enrollment, and structural challenges facing the higher education sector.

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Broad Trends in Higher Education

Strained Budgets

Balancing expenses with available revenue might continue to create budgetary strain in the short-term. State underinvestment in Oregon contributes to financial constraints.

Demographics and Demand

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

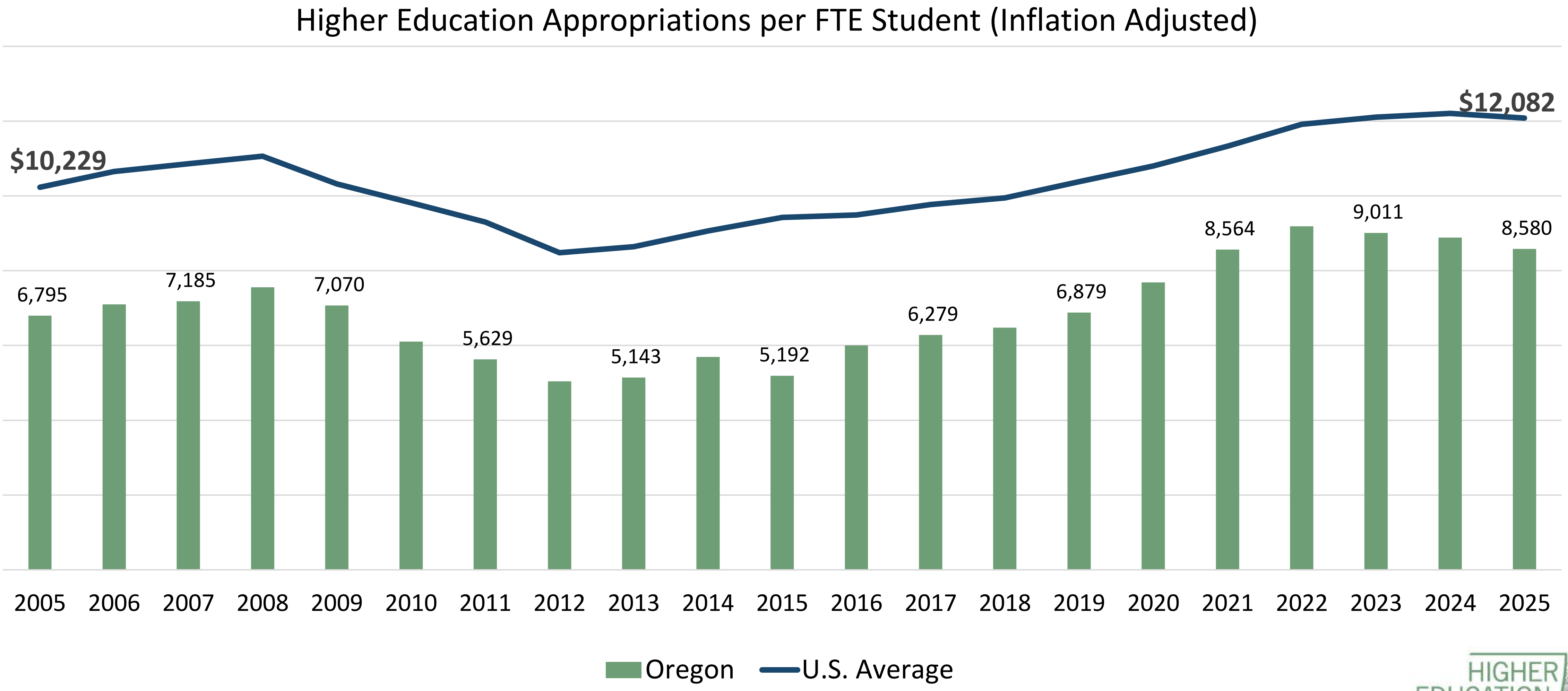
Changing Federal & Technology Landscapes

Recent large scale changes to federal higher education policy and rapidly changing technology (especially AI) have disrupted teaching, learning, and other processes across campuses, as well as shifted workforce needs.

Financial Challenges

Despite Recent Progress, Oregon Underinvests in Higher Education Compared to Other States

Oregon's Investment Ranks 38th Among States (2025)

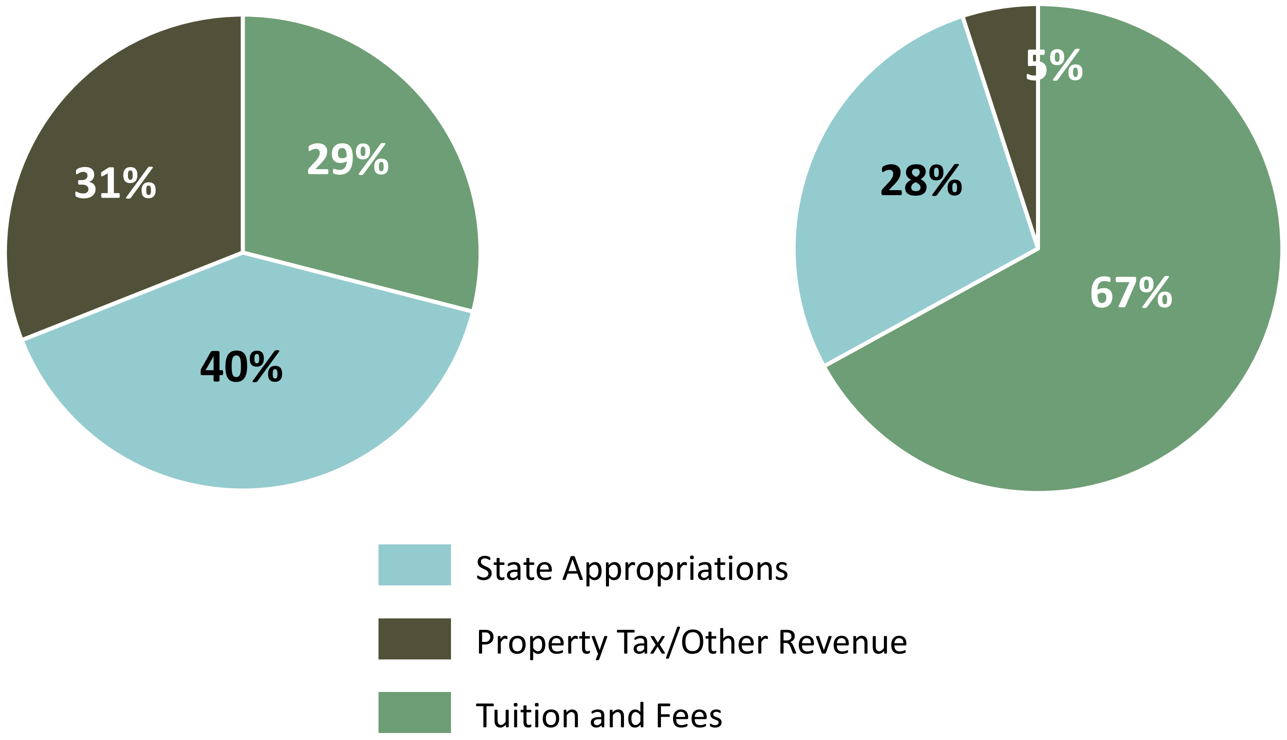


Source: State Higher Education Executive Officers Association. (2026). *State Higher Education Finance: FY 2025* https://shef.sheeo.org/. Public Higher Education Appropriations per FTE by State (Constant Adjusted Dollars).

As a Result, Students Contribute a Sizeable Proportion of Institutions' Total Education Revenue

Community Colleges
FY 2025

Public Universities
FY 2025

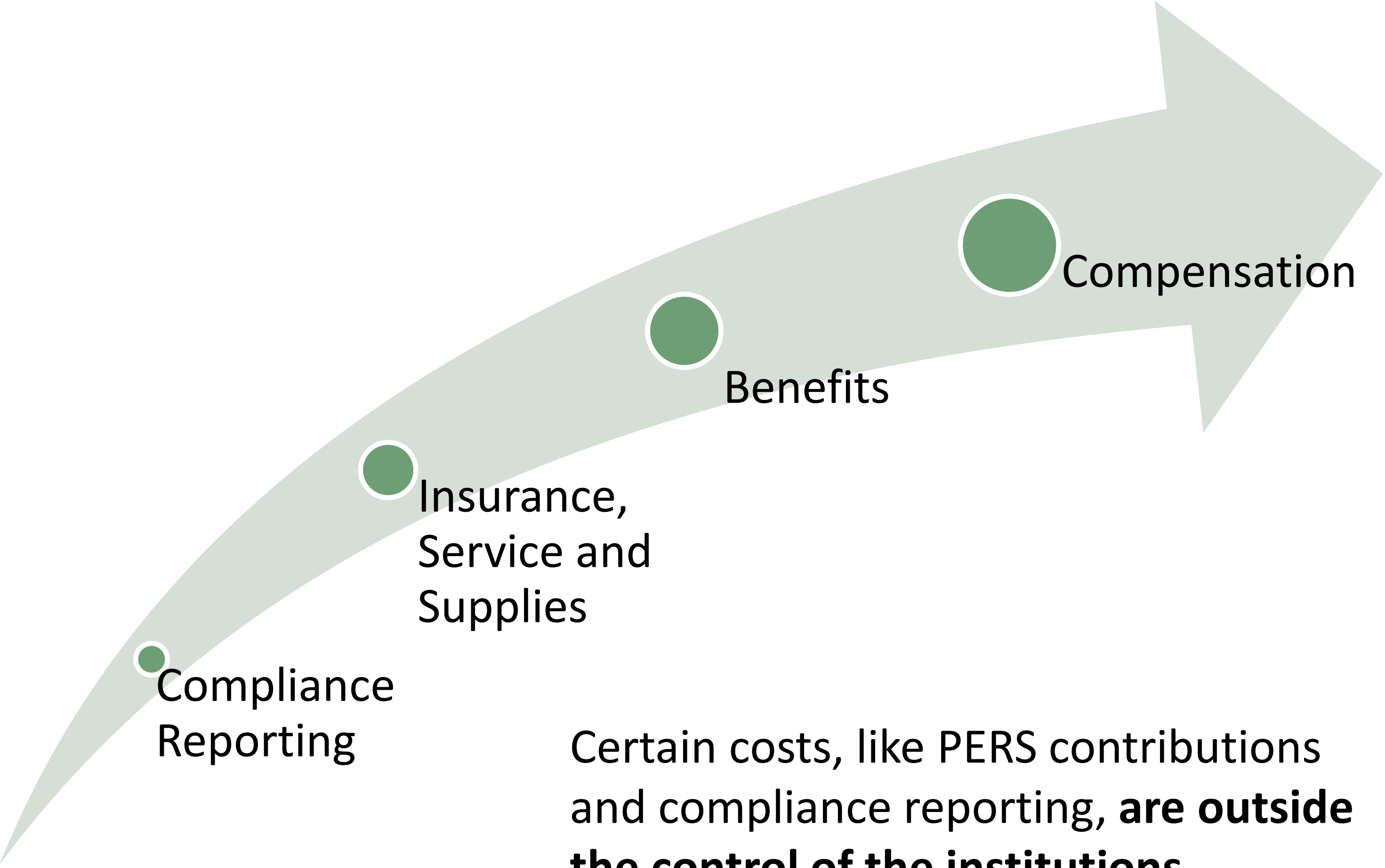


These pie charts represent the percentage of institutions' education and general (E&G) fund revenue by contributor and by sector. Some of the tuition/fee revenue shown here is offset for students by grant aid they receive.

In the 1960s, the state provided 75% of the revenue for public universities. This dropped to about 60% by the 1990s, and 40% by the early 2000s.

Source: Office of Postsecondary Finance and Capital, CCFIS data and public university general fund surveys, education and general fund(s) only.

Public Institutions Face Significant Cost Drivers



Certain costs, like PERS contributions and compliance reporting, **are outside the control of the institutions.**

Budget Cost Drivers	
Projected Increase over 2025-27	
Universities	Community Colleges
8.5%	7.6%

Source: HECC analysis of ORS 352.069 Report.

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Financial Status of Oregon's Public Institutions, June 2026

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

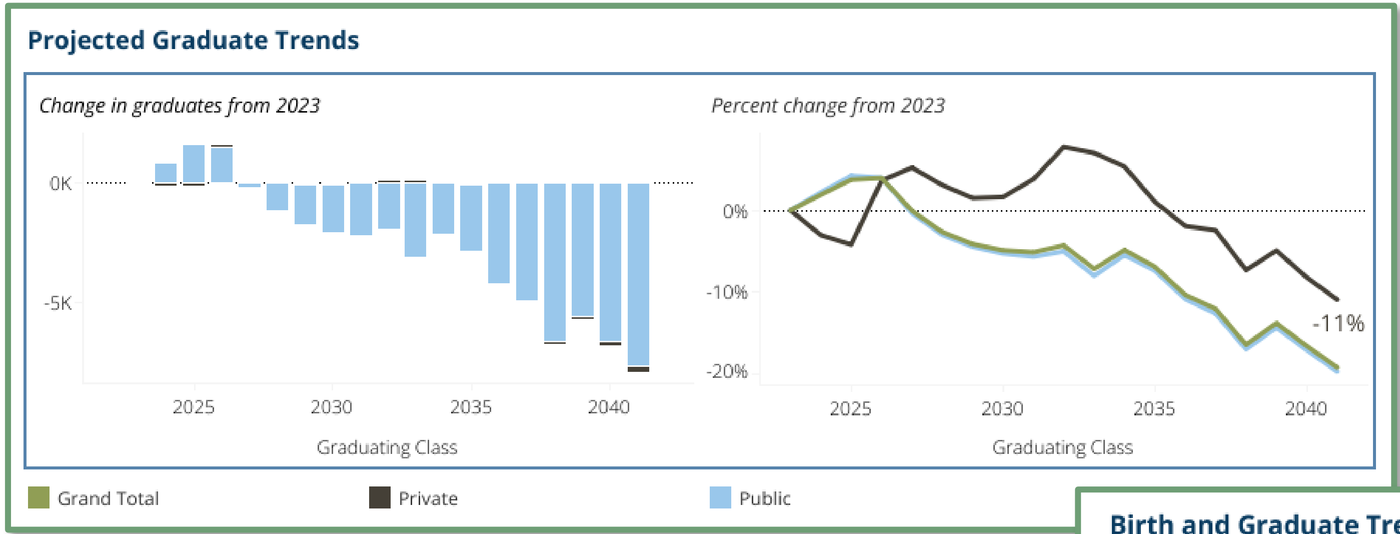
Spending continues to grow faster than revenue creating a growing structural imbalance for most. Sustainability varies.

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**.

Enrollment Challenges

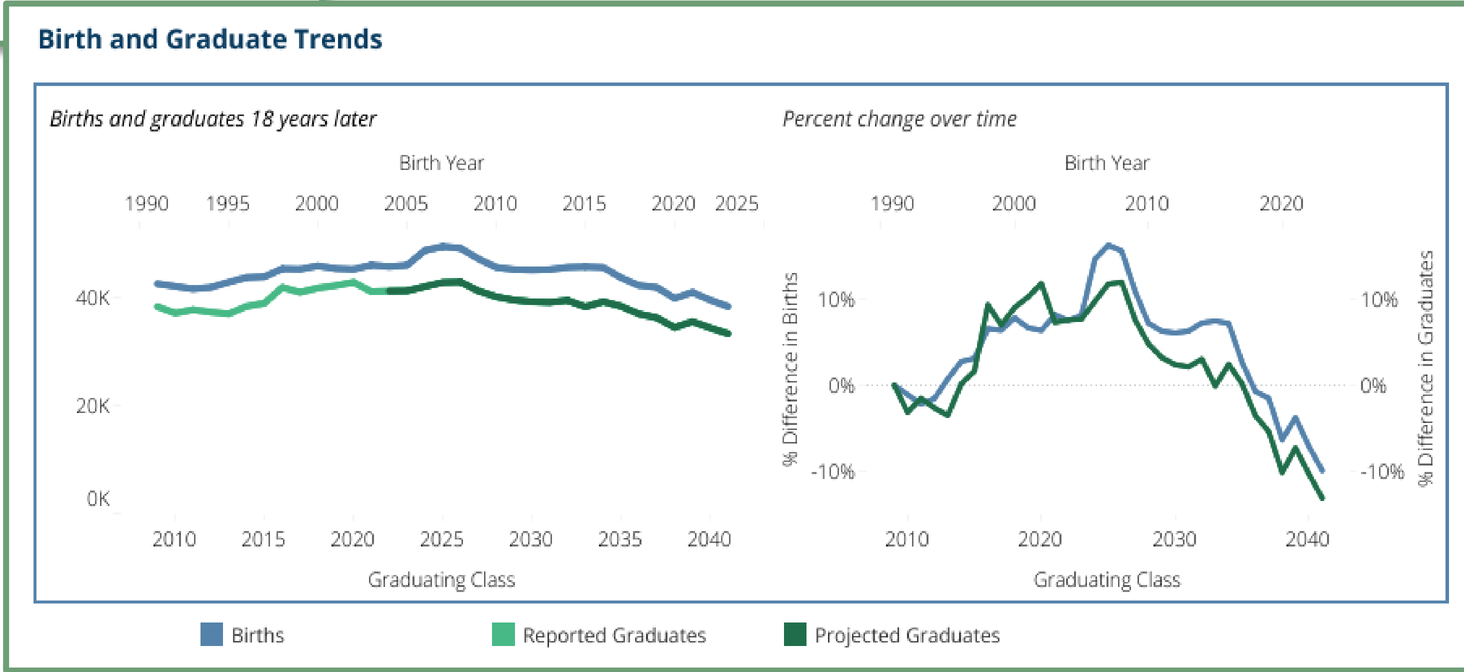
Enrollment Challenges: Oregon Faces a Demographic Cliff with Predicted Drops in Births and Graduates by 2040



By 2041, Oregon's public K-12 school graduating class is expected to be **19% smaller** than the graduating class of 2023, and 13% smaller than the graduating class of 2009.

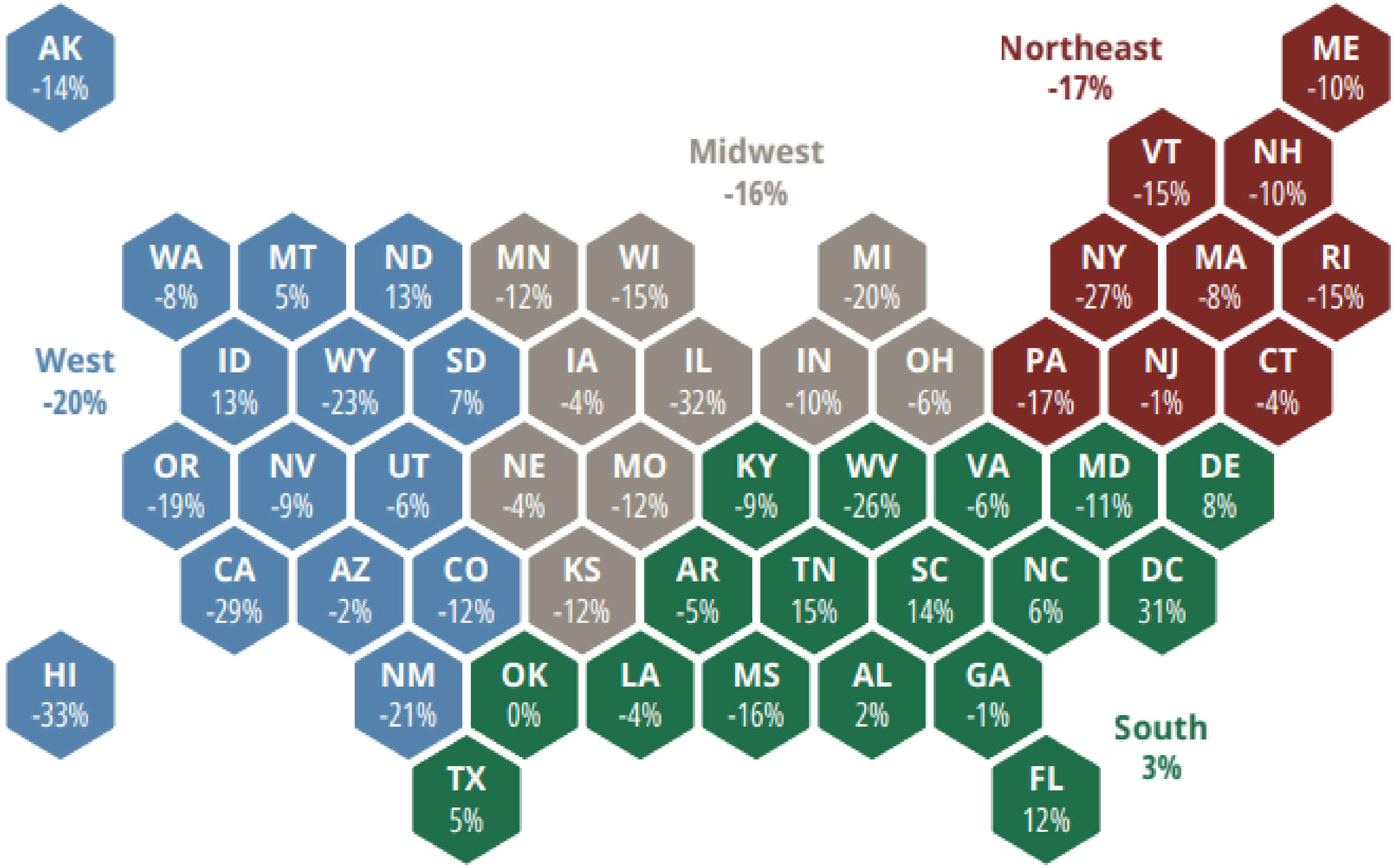
Source: Western Interstate Commission for Higher Education (2024). *Knocking at the College Door.* www.wiche.edu/knocking.

Births in Oregon are expected to be **down 10%** in 2041 compared to 1991.



High School Graduates are Anticipated to Decline in Most Regions by 2041, But Decline Will be Greatest Among Western States

Figure 17. Projected percent change in high school graduates, 2023 to 2041



Notes: Total high school graduates include public and private schools. In these projections, the U.S. includes the 50 states and the District of Columbia. Future work will explore projected trends for the U.S. Territories and Freely Associated States.

Source: Western Interstate Commission for Higher Education (2024). *Knocking at the College Door.* www.wiche.edu/knocking.

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Overreliance on Out-of-State Student Enrollment Brings Challenges

- While out-of-state student enrollment can bring in additional revenue for institutions, this poses a sustainability challenge as out-of-state enrollment declines.
  - Nonresident student enrollment has declined for all of Oregon's universities over the past 10 years except OSU.

'A NEW REALITY'

At This Flagship, a Decades-Long Enrollment Strategy Is Cracking

By Taylor Swaak | June 8, 2026

The University of Oregon is now planning for a future with fewer out-of-state students — and a smaller budget.

Enrollment decline to reshape university

Budget cuts stemming from decreased nonresident enrollment alter future University of Oregon staffing.

Reilly Norgren, News Editor

June 8, 2026

A recent *Chronicle of Higher Education* article highlighted how out-of-state enrollment is a core strategy to UO's financial sustainability, funding close to half of the university's core spending on instruction, research, and student services. Nonresident enrollment has fallen below the university's 10-year average for the second year in a row. UO is not alone among U.S. flagships in using this strategy, but it brings financial sustainability risks.

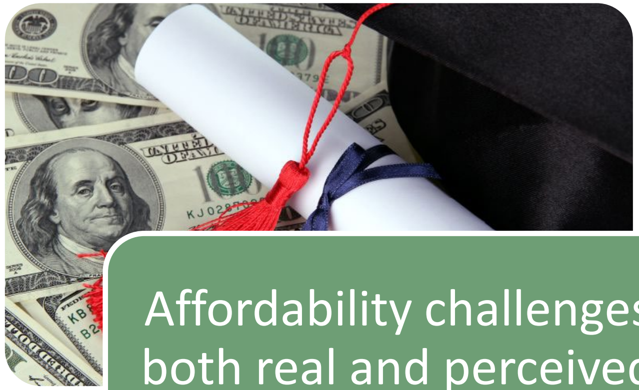
Sources: HECC Interactive Data Dashboard, Public University Enrollment; Norgren, R. (2026, June 8). Enrollment decline to reshape university. *The Daily Emerald*. Swaak, T. (2026, June 8). At this flagship, a decades-long enrollment strategy is cracking. *Chronicle of Higher Education*.

Nationally, Cost is a Barrier to Enrolling and Persisting in Higher Education

Among U.S. adults surveyed in 2026 who have stopped out of higher education, the cost of the degree/credential program (tuition, fees, etc.) was the number one reason for stopping out.

Just 25% of U.S. adults without a degree or credential in 2026 believed that all or most people in the U.S. can access a quality, affordable education after high school. The majority (75%) believed that half or fewer Americans have access to an quality, affordable education.

In Oregon, 50% of public university students and 37% of community college students during the 2024-25 academic year were unable to meet college expenses with expected resources, including public grant aid, institutional aid, and estimated earnings.



Affordability challenges—both real and perceived—exacerbate the enrollment challenges facing higher education institutions.

Sources: Lumina-Gallup (2026). The State of Higher Education 2026: Valued but Out of Reach: The Reality of Higher Education Today. HECC Interactive Data Dashboards, Public Universities and Community Colleges Dashboards.

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International Student Enrollment has Also Declined

International students, who pay higher tuition rates than in-state students, represent an important revenue source for many institutions

Photo: Allison Shelley/Complete College Photo Library

In 2024-25, institutions nationally experienced a 7.2% decline in new international student enrollment over the previous year.

- **Preliminary data from Fall 2025 found that institutions experienced a 17% decline in new international enrollment compared to Fall 2024.**
- Among institutions reporting declines in new international student enrollment, 96% cited visa application concerns and 68% cited travel restrictions.

The year-over-year percentage change in new international enrollment by academic year

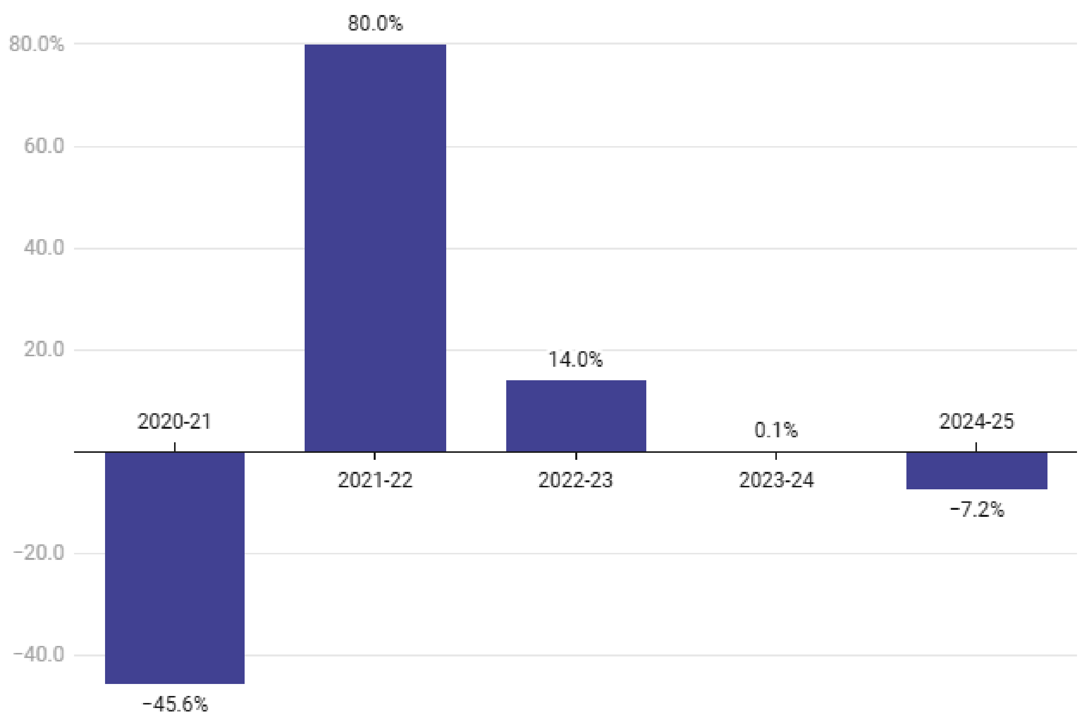

Chart: Laura Spitalniak / Higher Ed Dive • Source: IIE Open Doors • Get the data • Created with Datawrapper

Sources: Baer, J & Ekin, S. (November 2025). Fall 2025 Snapshot on International Student Enrollment. Institute of International Education, Inc.
Spitalniak, L. (2026, June 8). The state of international enrollment in 6 charts. *Higher Ed Dive.* Accessed June 9, 2026.

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Other Trends in U.S. Higher Education

Federal Changes Have Caused Significant Disruption in Recent Years

- Reductions in research funding
- Elimination of Grad PLUS Loans
- Borrowing caps for some non-professional graduate degree programs
- Changes to Public Service Loan Forgiveness program eligibility
- Substantial proposed regulatory changes to higher education accreditation
- Workforce Pell

Recent significant changes in the federal higher education landscape

These and other federal policy shifts under the current administration have required institutions to adapt quickly to meet the new requirements without new federal resources to implement the changes.

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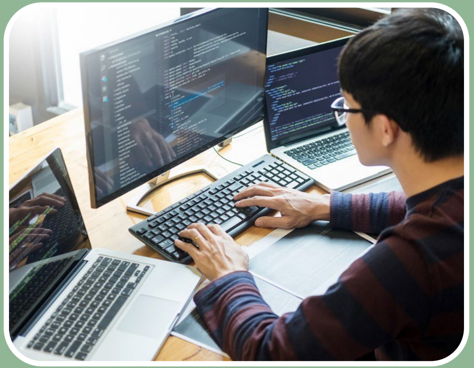
Technological Changes Have Shifted Teaching, Learning, and Workforce Needs



Increasing use of artificial intelligence (AI) platforms in recent years has changed institutional norms and practices.

- **57% of U.S. college students are using AI in their coursework at least weekly**, and 20% are using it daily.

AI adoption in the workforce has contributed to shifts in employer/skills demands for college graduates.

- About half (54%) of employers surveyed in 2026 say that U.S. colleges and universities are graduating students who have the skills their organization needs.
- Demand for AI-related skills is growing among employers, and AI adoption has also heightened the need for human ("soft") skills among graduates.

Sources: Gallup (April 2, 2026). AI is routine for college students, despite campus limits. Lumina-Gallup (2026). Aligning Education and Work: What Employers Say Higher Education Must Deliver. Malde, J. (April 22, 2026). AI and the workforce: Impact on jobs, workers, and employers. Bipartisan Policy Center. WCET (2025). Supporting Governance, Operations, and Instruction and Learning Through Artificial Intelligence: A Survey of Institutional Practices and Policies 2025. Western Interstate Commission for Higher Education.

Financial Outlook for U.S. 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.

Sources: Spitalniak, L. (2025, December 5). Higher education faces deteriorating 2026 outlook, Fitch says. *Higher Ed Dive*. Unglesbee, B. (2025, December 3). S&P: Negative outlook for nonprofit colleges in 2026. *Higher Ed Dive.* Unglesbee, B. (2025, November 21). Higher education outlook remains negative for 2026, Moody's says. *Higher Ed Dive.*

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Nationwide, Closures and Mergers are Occurring in Both the Private and Public Non-Profit Sectors

A recent study from the Federal Reserve Bank of Philadelphia finds that the demographic cliff and institutional financial distress are very likely to lead to more institutional closures across the U.S. in the next five years.

December 18, 2025

The Colleges That Couldn't Survive 2025

At least 16 nonprofit institutions announced closures this year due to enrollment and financial challenges, the same as last year. But there were fewer mergers announced.

By Josh Moody

May 04, 2026

Closures Contributed to Deep Cuts in April

Colleges announced hundreds of layoffs and buyouts last month as many work to close budget deficits brought on by state and federal funding issues and other challenges.

By Josh Moody

Report Finds Higher Ed Sector Shrank by 2%

Data from the National Center for Education Statistics shows that nearly 100 institutions closed between the 2022–23 and 2023–24 academic years.

By Josh Moody

More than a quarter of private colleges are at risk of closing, a new projection shows

By Jon Marcus (Hechinger Report)

The Boston Globe · 13d

Small colleges facing financial strain turn to mergers for survival

Like other small troubled schools before it, Hampshire could not hold off the inevitable, and its pending closure underscores ...

LEADERSHIP > EDUCATION

Financial Woes Lead To More College Cutbacks, Closures And A Bankruptcy

By Michael T. Nietzel, Senior Contributor. Michael Nietzel, former college pr...

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Published Apr 30, 2026, 06:00am EDT

Sources: The Colleges That Couldn't Survive 2025, 2024 has seen more college closures than last year, A look back at the college closures and mergers of 2023, More Negative Projections for Higher Ed in 2026

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NCHEMS Oregon Higher Education Landscape Study (2022)

Background: Oregon's colleges and universities commissioned a report to recommend a course for the future of higher education in Oregon, which was conducted by the National Center for Higher Education Management Systems (NCHEMS) in 2022.

The findings and recommendations from this analysis are a **key building block** of the higher education revitalization study called for in HB 4124 this year.

The NCHEMS report included:

- An **environmental scan of factors affecting postsecondary education in Oregon** (needs of students, workforce and economic development needs of state and regional employers)
- Areas where **additional educational or research capacities are needed**
- **Policies and practices** at both state and institutional levels that can be improved to serve the needs of the state and its citizens
- **Innovative ways for Oregon's existing educational assets to be deployed** to better serve students, employers and communities (Oregon's public colleges and universities, as well as K12 districts, career schools, apprenticeship programs, and online providers)
- **Recommendations** for steps to better align higher education with the needs of its constituents and maximize effectiveness and efficiency

NCHEMS Report Key Finding: Oregon Lacks a Comprehensive Economic Development Plan

Oregon faces many problems that require public investment: transportation, social services, healthcare, wildfire prevention and relief, etc.

- ➢ Income taxes are the primary source of state revenues
- ➢ **Oregon must seek to increase the tax base of the state** (number of workers in the state who have high-paying jobs).
- ➢ Efforts so far have primarily focused on filling and diversifying our current workforce, rather than expanding the workforce.

The NCHEMS report authors argue that Oregon needs to invest in work***place*** development – activities that will create the jobs of the future – and that **the colleges and universities will be the engines** that fuel these developments.

However, **Oregon lacks a statewide economic development plan** that points the way to this necessary capacity-building.

Examples of state economic development plans:

Texas: "Building a Talent Strong Texas"	• Goals focus on credentials of value (tied to wage premiums), research and development outputs; closely integrates economic development partners
Pennsylvania: "Building a Prosperous Pennsylvania"	• Organized around six goals, two of which are directly connected to the state's economic development and workforce development
North Carolina: "First in Opportunity" Strategic Economic Development Plan	• Statewide, strategic plan that includes modernizing state infrastructure, investing in research and development, basic needs security, and alignment between workforce and education