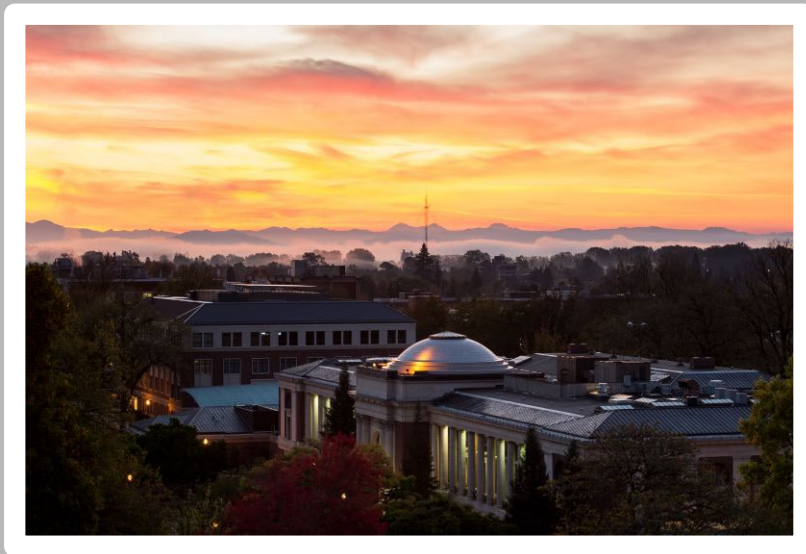


# UNIVERSITY CAPITAL GUIDE

AS OF SEPTEMBER 2024



## OVERVIEW

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The purpose of this document is to aid public universities in submitting capital requests through the agency request budget process, emergency request, and out-of-cycle process. This capital guide is a companion to the university capital rule. This work is always a partnership of the institutions, HECC, DAS, and many other contributors. The new rule has been developed in collaboration with the HECC executives, university vice presidents, DAS Capital, and the Legislative Fiscal Office. The reader will find useful detail guidance on required components of the rubric.

## SUMMARY OF CHANGES

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The new capital rule incorporates emergency and out-of-cycle requests in standard review process at the HECC. All requests for capital must be routed through HECC prior to advancing to DAS Capital and Legislative Fiscal Office. HECC Staff Grading process detail was added. Definitions were updated and aligned with DAS Capital and Oregon Accounting Manual.

## ACCESSIBILITY STATEMENT

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The HECC is committed to accessible services for all. Requests for translations, language services, alternative formats, or Americans with Disabilities Act (ADA) accommodations may be sent to [info.hecc@hecc.oregon.gov](mailto:info.hecc@hecc.oregon.gov).

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## INTRODUCTION

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### HECC UNIVERSITY CAPITAL PRINCIPLES

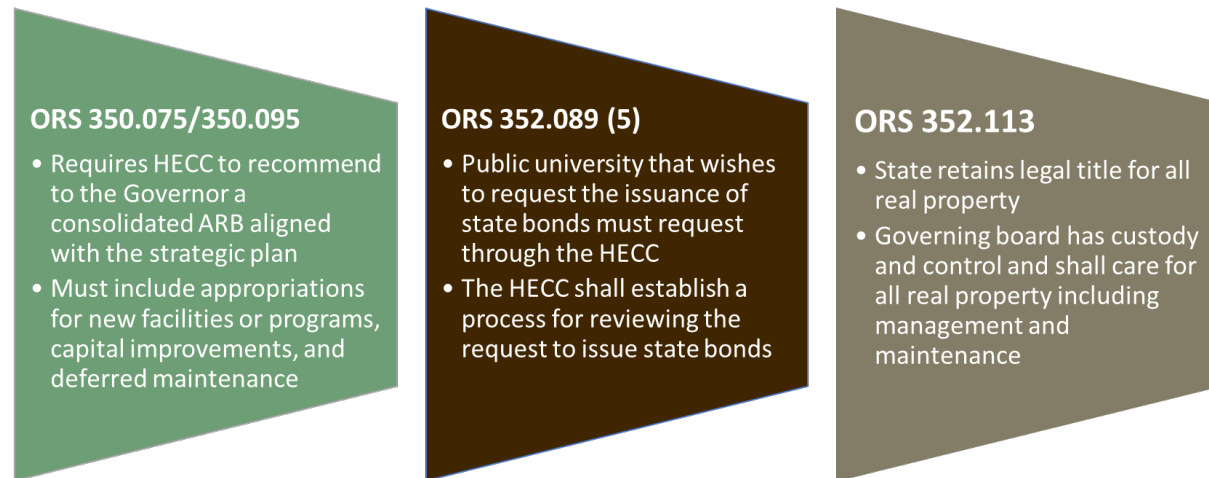
The prioritization of capital projects will focus on aligning economic incentives of the institutions with the state's strategic capital plan. These principles apply to all capital requests whether they come in the agency budget, emergent request, or out-of-cycle capital request. The prioritization process is not a distribution model. All state-backed debt will support Education & General (E&G) space and program needs for the 21st century, extend the capacity of existing facilities to support student success, and align capital investments with workforce and economic development needs. Projects that demonstrate the following will be prioritized:



### STRATEGIC CAPITAL DEVELOPMENT PRIORITIES

During 2019, the Higher Education Coordinating Commission developed a 10-year strategic capital plan for all seven public universities, in partnership with the public universities and a panel of experts in strategic capital and higher education planning. This project provides a target public university capital portfolio through 2029 and will be used to guide the HECC in prioritization of capital projects and recommendations to the Governor and the Legislature on the critically important need for strategically driven capital investments for years to come. The 10-year strategic capital plan is a high-level summary of capital needs based on demographic, economic, industrial, and other environmental factors, dividing the targeted portfolio by region of the state. It divides the existing and potential future capital portfolio according to ideal usage and utilization, estimating the space needed for different academic disciplines and functions. By design, the Capital Prioritization Rubric ties to the Strategic Capital Development Plan and reflects the State's goals and interests.

## STATUTORY AUTHORITY/RULES/GUIDES



Authority for this work is included in [ORS 350.075](#).

The Higher Education Coordinating Commission shall:

(a) Develop state goals for the state postsecondary education system, including community colleges and public universities listed in ORS 352.002 (Public universities), and for student access programs.

(b) Determine strategic investments in the state's community colleges, public universities, and student access programs necessary to achieve state postsecondary education goals.

(c) Coordinate the postsecondary elements of data collection and structure, with the advice and recommendation of the state's independent institutions, community colleges and public universities, as appropriate, in order to construct a state longitudinal data system.

(d) Adopt a strategic plan for achieving state postsecondary education goals, taking into consideration the contributions of this state's independent institutions, philanthropic organizations and other organizations dedicated to helping Oregonians reach state goals. State postsecondary education goals as described in this section should include, but need not be limited to:

- a) Increasing the educational attainment of the population
- b) Increasing this state's global economic competitiveness and the quality of life of its residents
- c) Ensuring affordable access for qualified Oregon students at each college or public university
- d) Removing barriers to on-time completion

- e) And tracking progress toward meeting the state’s postsecondary education goals established in the strategic plan.

The related rules are included in Oregon Administrative Rule 715-013-0070 and 715-013-0075. Additionally, DAS Capital publishes multiple bond guides by bond type which are utilized by State agencies to fulfill bond compliance requirements. These guides are available on DAS’s website.

[Agency Guide to Financing Capital Projects with Article XI-Q Bonds](#)

[Article XI-Q Bond Program Quick Reference](#)

## **HECC EQUITY LENS AND OREGON STRATEGIC ROADMAP**

The Higher Education Coordinating Commission vision is a future in which all Oregonians—and especially those whom our systems have underserved and marginalized—benefit from the transformational power of high-quality postsecondary education and training.

Oregon’s [Strategic Roadmap for Oregon Postsecondary Education and Training](#), finalized in August, 2021, sets an ambitious path forward by describing how postsecondary systems, policies, and practices need to change in order to achieve [Oregon’s goals for educational attainment and equity](#). The Roadmap is intended to guide not only HECC initiatives and investments, but also those of Oregon’s postsecondary education and training partners statewide, with implications for public and private colleges and universities, the Legislature and Governor, education and workforce development partners, as well as faculty, students, and staff. The Roadmap includes five categories:

**Transform and innovate to serve students and learners best**—Support education and training institutions in continuing to transform, expand, and redesign their outreach and delivery models to engage today’s learners.

**Center higher education and workforce training capacity on current and future state needs**—Focus postsecondary education and training resources to serve Oregonians where they are and who they are, with a priority on communities and populations that have been historically underserved.

**Ensure that postsecondary learners can afford to meet their basic needs**—Improve college affordability for Oregonians and ensure that fewer students struggle with homelessness, housing insecurity, and food insecurity.

**Create and support a continuum of pathways from education and training to career**—Ensure that all learners have access to a full range of education and training options beyond high school, including apprenticeships, career certificates, and college degrees.

**Increase public investment to meet Oregon’s postsecondary goals**—Through adequate and sustained levels of public investments, minimize tuition increases and build programs and services to equitably serve learners.

## TIMELINE FOR AGENCY REQUEST BUDGET SUBMISSIONS

For each new biennium, the budget process starts the year prior. All materials are received in the even years and biennium budgets are started in the odd years. For this process, institutions must submit project proposals to HECC by the first week of April of the even year. HECC staff is tentatively scheduled to present the prioritized statewide list to the Commission at the June 2024 meeting. The Commission will then decide what actions to take based on the evaluation and prioritization list.

February-March 2024: Instructions released by DAS for 2027-29 Agency Request Budget

April 5, 2024: Submission Deadline

April 7 – 30, 2024: Evaluations

May 2024: Presentations to HECC Funding & Achievement (F&A) Subcommittee

June 2024 (tentative): HECC staff present capital recommendations to HECC F&A

August 13, 2024: HECC ARB due to DAS and LFO

Email all documents to: [hecc.capconstructreimb@hecc.oregon.gov](mailto:hecc.capconstructreimb@hecc.oregon.gov).

Call (503) 979-6003 for any questions or assistance.

## PROJECT SUBMISSION

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### INSTITUTION CAPITAL PLAN INFORMATION

Institutions requesting cash or debt financing from the state for capital projects in the upcoming biennium, are expected to provide the information described below. **This information is required once, regardless of how many projects are being submitted.**

1. Identify whether the institution has a master facilities' plan and, if so, the date on which it was adopted and/or last amended.
2. Share your policy of funding for future education and general deferred maintenance needs.
  - a. Provide a description of the institution's plan for managing facilities, reducing any deferred maintenance backlog, and addressing future deferred maintenance needs.
  - b. Please report the current balance in the capital depreciation or set aside account.
3. Provide an estimate of the institution's total deferred maintenance backlog for education and general service facilities. Show the method of estimating the backlog and the investment level for institutional deferred maintenance reduction, for example, 1% of current replacement value.
4. Provide an estimate of the institution's seismic upgrade needs for educational and general service facilities.

5. Identify any bond-funded projects that were authorized in prior biennia that will require reauthorization by the legislature. Include the name of the project, when it was authorized, the amount that needs to be reauthorized, and a description of any changes to the project since it was originally authorized (include changes in project cost and funding).
6. The SCDP recommends embracing a broader definition of capital assets including those that are not bondable (SCDP, p. 19, 2019). If funding were available, would you be interested in demolishing any facilities? If so, please indicate which facilities and why.

## PROJECT SUMMARY

For each project, please provide the following information.

1. Project Data
  - 1.1. Short working title for the project
  - 1.2. Project location address or campus location
  - 1.3. Academic programs served
  - 1.4. Total project cost
  - 1.5. State funding request
  - 1.6. Committed external funds
    - 1.6.1. Gift amount
    - 1.6.2. Plant funds amount
    - 1.6.3. Specify amount and source of other fund sources
  - 1.7. Total gross square feet
  - 1.8. Total net square feet
  - 1.9. Identify the project start and completion dates
2. Complete the appropriate DAS required bond Forms 107BF11a and/or 107BF12 for each project. (Appendix A)
3. Describe how this project will address the following:
  - 3.1. Resolve an unmet capacity need
  - 3.2. Raise facility quality
  - 3.3. Improve campus infrastructure



3.4. Fulfill special need (e.g., shared performing arts facility). This is an excellent example of supporting an equity focus and could be something like American Disabilities Act universal design compliance for laboratories, classrooms, and auditoriums.

4. Complete HECC Capital Project Cost Summary form (appendix C)

5. Optional – photo or graphic, or additional text if needed

6. Appendix Document List

7. Executive Summary of the Proposed Project

7.1 Provide a brief description of the project

7.2 Summarize how the project supports the HECC Equity Lens and enhances the Oregon Strategic Roadmap

7.3 Identify why the project is a critical need for the institution.

## **BUSINESS PLAN**

The aim is to provide a high-level view and accompanying estimates of the potential future savings that may be possible. Please include Appendix B in an excel version of business plan.

1. Operations Overview

1.1. Provide an overview of the financial plan associated with the operations of the programs and facility described in the project. Costs may be defined by previously approved or existing expenses and revenue, and new expenses and revenue needed because of the proposed project.

1.2. Summarize the annual net additional costs for programs, staffing, operations, utilities, and maintenance costs. Costs should be consistent with planned student enrollment increases, staffing increases, and additional net area created from the project.

1.3. Describe financial efficiencies achieved with the project. How will they be realized (demolitions, shared spaces, funding sources, etc.)? If this is a new planned replacement building for planned demolition(s), quantify the financial benefits, or describe other opportunities created with the project. Does this project represent a new “replacement building” that is no more than 10% more square feet than a building proposed to be demolished?

2. Revenue Sources, Fundraising and Partnerships

2.1. Will there be a fundraising campaign or other community/industry partners that will be specifically associated with this project, and what are the specific funding goals? If there are unique features of the campaign, please describe.

2.2. What are the revenue sources expected to defray additional ongoing costs, such as estimated additional tuition, grants, or other sources? Anticipated funding and tuition

income should be supported by the academic strategic plan for credential production and enrollment increases.

### 3. Review of Alternatives (Page 21 of the SCDP)

- 3.1. Discuss a review of project alternatives and less capital-intensive options that were considered to meet the identified space need.

## CAPITAL PROJECT EVALUATION

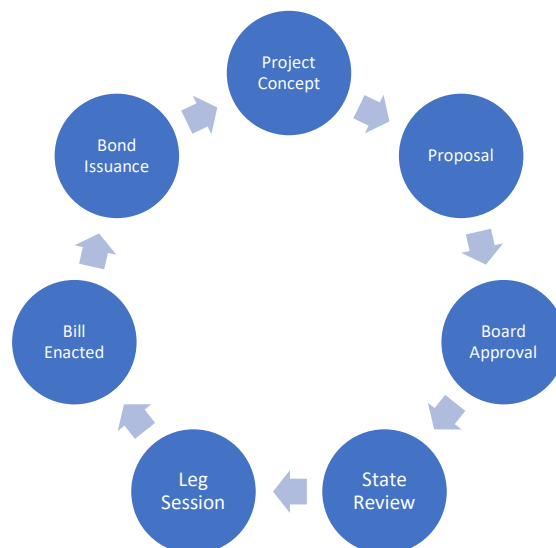
The goal of this process is to assist the Legislature to “determine strategic investments in the state’s public universities and student access programs necessary to achieve state postsecondary education goals, (ORS 350.075).” Because funding is limited, a prioritization process must occur. Project submissions are collected to meet Department of Administrative Services (DAS) Capital Budget requirements and to provide the necessary data for consideration. The Commission’s recommendations are based upon a prioritization process that incorporates the criteria detailed below.

All capital project submissions will be evaluated by HECC staff and may include a campus site visit to review project plans and discuss details with institution representatives. HECC will compile information and evaluator feedback on the project proposals submitted from the seven governing boards, which will then be used to establish a statewide priority list.

The Commission will establish the priority ranking of governing board recommended projects that are consistent with the state’s goals. Projects that are recommended, but not funded, can be resubmitted the following budget cycle if the project remains a priority for the institution. Previously recommended, but unfunded, projects are not guaranteed recommendation in the following cycle.

HECC strongly suggests institutions engage their academic and institutional research teams to assist in the development and completion of the submittal.

## CAPITAL PROJECT PROCESS FLOWCHART



## HECC STAFF EVALUATION PROCESS DETAIL

### **Project Submission**

Once projects are submitted, HECC PFC staff ensure the submission is complete and that DAS forms are verified. Deferred maintenance savings, and related points, are calculated. Institutional ranking is verified. And fund matching is confirmed. Clarifying questions are forwarded as needed. Site visits may also be conducted to aid understanding.

### **Initial review**

An initial review is then performed by grading teams composed of cross agency HECC staff. Several teams are created depending on the number of projects submitted. Each team will typically include three to four HECC staff led by a PFC staff member. Several projects are then distributed to each team for review.

The participating HECC staff volunteer for the assignment. They often include members of the Office of Workforce Investments (OWI), the Office of Student Access and Completion (OSAC), the Office of Academic Policy and Authorization (APA), and members of the HECC Diversity, Equity, Inclusion, and Access (DEIA) team. Their expertise is instrumental to providing a more robust assessment.

Each grader and team are provided training by PFC staff which includes an overview of the process, detailed information on the rubric, and additional support on how to assess rubric components. Each grader evaluates assigned projects individually. The team will then create consensus on a score for each project.

The grading teams are asked to assess the subjective components of the rubric. Additional guidance for each component can be found in the University Capital Guide. This is where the expertise of agency staff improves the process by, for example, evaluating component A1 regarding workforce and completion priorities.

However, grading teams are not asked to assess the objective components of the rubric which include deferred maintenance in component A2, institutional priority in component D, and leveraging institutional resources in component F. Meaning 32 points, roughly one-third of the total possible points, is formulaic and not subjective.

### **Additional Review**

PFC Staff then review project scores by component to ensure consistency. This can also include the expertise of other HECC staff. For example, the DEIA team often helps assess component E related to student success for underserved populations across all projects to help ensure consistency. PFC Staff then make a recommendation on final grading to Agency leadership for consideration.

### **Presentation to the Commission**

The prioritized list of projects is then presented to the Commission for its consideration through the HECC Funding and Achievement (F&A) Subcommittee. All submitted projects are included. An opportunity for the universities to present directly to the commissioners is included through the F&A. The Commissioners are then asked to adopt the full ARB, including the list of prioritized capital projects, during its August meeting in even years.

## CAPITAL SCORING RUBRIC

The purpose of the rubric is to aid HECC staff in evaluating the merits of many possible strategic investments. The rubric also has been designed to aid the university in preparing a complete capital package for consideration by the Commission. Four components of the rubric are objective and quantitative including the addressing deferred maintenance, operational savings, institutional priority, and leveraging institutional resources. The other five components are more subjective and evaluated based on detailed component requirements.

The points assigned to each evaluation criteria are detailed below.

<b>Prioritization Criteria</b>	<b>Points</b>
<b>Strategic Priorities (52 points total)</b>	
A. Strategic Capital Development Priorities	
Part 1: Space renewal, workforce, or completion priorities	24
Part 2: Addressing deferred maintenance issues	12
Part 3: Supports research and economic development	8
Part 4: Collaboration with interested parties	8
<b>State Priorities (48 points total)</b>	
B. Operational Savings and Sustainability	8
C. Life Safety, Security, Code Compliance and/or Loss of Use	10
D. Institutional Priority	5
E. Student Success for Underserved Populations	10
F. Leveraging Institutional Resources	15
<b>TOTAL</b>	<b>100</b>

## COMPONENT A: STRATEGIC CAPITAL DEVELOPMENT PRIORITIES

Component A, Part 1: Space renewal, workforce, or completion priorities

Proposals that increase the efficiency and effectiveness of educational and general space, address workforce needs pursuant to the SCDP, or support student success and degree completion numbers pursuant to the 40-40-20 Strategic Plan.

- Proposal increases the capacity and effectiveness of instructional space
  - Academic Space Surplus or Deficit (SCDP, page 9)
  - Academic Support Space Surplus or Deficit (SCDP, page 9)
  - Reference the institutional specific section of the report, (SCDP, pages 57 – 62 and “Space Analysis” sections of institutional data).

- Addresses workforce needs by providing clear pathways to aligning the educational supply with employment demand (SCDP, pages 40-47 or within the institutional specific data section)
  - Fills occupations that have postsecondary credential and university-based requirements, reference institutional section of the report for your specific institution.
  - Institution requires an internship with industry for the career track.
  - Reference the institutional specific section of the report, “Program Completion Rates”, and “Gaps at the bachelor and above degree level” chart.
- Proposal brings business and industry to campus by core sectors for research collaboration or economic development projects or to assist in an educational capacity.

Component A, Part 2: Addressing deferred maintenance issues

- This component relates to either the reduction of deferred maintenance at an institution or the creation of a university-funded deferred maintenance set aside account to proactively address future deferred maintenance needs (SCDP, pages 10 – 13).
  - i. Deferred Maintenance Reduction – proposal eliminates deferred maintenance, demolishes a non-usable asset, or repurposes an existing under-utilized asset to a much higher academic use (cross check the building inventory in the most current CIR Table). For DM projects, identify the expected source of funding as internal to institution or State CIR funded.
  - ii. Deferred Maintenance Account – proposal establishes a university-funded depreciation account for the new/upgraded facility.

Please see the sample capital grading table below for the calculation method for deferred maintenance.

<b>Rubric Criteria</b>	<b>Project A</b>	<b>Project B</b>	<b>Project C</b>
Addressing deferred maintenance	12	8	4
Amount of DM Eliminated	\$72,000,000	\$70,000,000	\$18,700,000
Total Project Cost	\$82,973,000	\$166,000,000	\$79,275,000
DM Eliminated % of Total Cost	87%	42%	24%
Point Scale of DM Reduction:			
0 -25%	4	4	4
26-50%	6	6	6
51-75%	8	8	8
76-100%	10	10	10
<i>Plus Two points if depreciation fund established</i>	2	2	0

Component A, Part 3: Supports the research and economic development capacity of the institution

- Proposals should identify that they are supporting degree programs that are important to employers, or that they support economic development as defined by creating or renovating space for workforce partnerships and collaborations. Projects could also demonstrate that they lead to the development of additional research capabilities or help the institution earn additional, external research grant funding (SCDP, pages 69-73).
- Proposals could support innovation with industry partners or create innovation districts and/or co-labs. Proposals could optimize resources on campus in support of industry partnerships, support entrepreneurial degree programs or address community and workforce needs (SCDP, pages 40-47 or within the institutional specific data section).

Component A, Part 4: Collaboration between the public universities and interested parties

- Proposals should encourage collaborative efforts between the university and other interested parties or the creation of consortia (SCDP, page 9).
- Public service entities could include but are not limited to public universities, community colleges, public school districts, regional consortiums, or private institutions.

## **COMPONENT B: OPERATIONAL SAVINGS AND SUSTAINABILITY**

Projects are scored based on the cost savings generated by operational savings and/or sustainability savings. The project plan should demonstrate understanding of lifecycle costs. Savings are demonstrated by the inclusion of a pro forma detailing future operational costs of the facility compared to current operational costs. See Appendix B for an example of a project cost summary.

Points could be earned for any positive return of operational savings continuously applied after construction which could include net additional savings from staffing, operations, utilities, and maintenance costs. Points could also be earned for the more efficient execution of existing programs through higher utilization of student stations or a lower cost per unit of student stations.

Sustainability could mean the sustainability of program operations demonstrated through more efficient execution as mentioned above. Or sustainability could mean LEED certification in which a project demonstrates a more efficient use of energy resources. Points could be awarded for a project that includes a LEED or equivalent sustainability level certification.

## **COMPONENT C: LIFE SAFETY, SECURITY, OR LOSS OF USE**

Proposals are scored based on the project's ability to address life safety, promote security, or remediate a potential loss of use issue. All are deemed mission critical. The institution should be prepared to explain how a project accomplishes these elements.

Documentation of a code violation could be included. A consultant's recommendation, and inclusion as a design element, of recommended safety upgrades to a facility could be included. Other evidence of a potential loss of use could be presented. See Appendix E for recent examples of safety elements as noted in the HECC Staff 2018 review.

Of the ten total points available, the inclusion and explanation of supporting evidence related to any one of these elements can garner a base score of eight points. Two additional points can then be added for verification by an independent, professionally certified expert.

It is possible the scoring for this component of the rubric will use a comparative approach across projects to assign points based on the relative number of elements addressed by each project submitted. Projects that address more elements might garner more points for this component relative to other projects.

1. **Life Safety.** For a project to be considered critical, the project must predominantly address facility deficiencies (code compliance) related to the health, safety, and welfare of the occupants and the public. The request will be considered as to the significance of the hazard or risk the facility conditions pose and the immediacy of the period requested to address those concerns.
2. **Security.** The proposal supports a safe and secure environment in all buildings and grounds owned, leased and/or operated by the universities. The proposal promotes safety through policies and programs. The proposal safeguards the university's property and physical assets.
3. **Loss of Use.** A project may be considered critical if it addresses imminent loss of use due to facility deficiencies. These can include mechanical, electrical, or structural systems as well as the accreditation requirements of a program. Critical loss of use projects would directly result in the inability of that program to function in the related area and/or maintain the funding necessary to sustain that program.

## **COMPONENT D: INSTITUTIONAL PRIORITY**

Each institution will identify the top three projects from only the tier one category as defined by the university presidents. The institution's first priority will receive 5 points, second priority will receive 3 points, and the third priority will receive one point. Subsequent project proposals will receive no points for this component.

## **COMPONENT E: STUDENT SUCCESS FOR UNDERSERVED POPULATIONS**

Proposals should clearly communicate the expected increases in success for underserved populations. The underlying data used in the calculations of the Student Success and Completion Model (SSCM) provide a baseline for degree attainment by priority communities of color, rural, LGBTQIA+, students with disabilities, and veteran populations. Institutions should review that data and then describe how this project will improve outcomes in any of the categories.

Points will be awarded for documenting the integration of the project with academic plans and by incorporating greater collaboration among institutions to support and retain priority students. Proposals should document a clear, intended purpose of the project to meet the needs of priority students. Examples of support, retention and academic plans could include additional support

services for priority students or the proposal of new goals for priority student achievement resulting from the completion of the project.

It is possible the scoring for this component will use a comparative approach across projects to assign points based on the relative magnitude of the proposed increase in student success by each project submitted. Projects that include a greater projected increase in student success might garner more points for this component relative to other projects.

## **COMPONENT F: LEVERAGING INSTITUTIONAL RESOURCES**

External funding should be a factor in prioritizing projects but should not inappropriately determine institutional or HECC priorities. The campus match component identifies a minimum percentage of project costs to be borne by the institution, ideally from external funding which could include grants, donations or other funds not derived from institutional or state resources. The two largest institutions UO and OSU have a common matching table. PSU has a unique matching table to reflect its matching capacity more appropriately. Technical and Regional institutions have an adjusted matching schedule to acknowledge a smaller private funding base in the rural communities of the state. The match expectation is differentiated by type of project as well.

Ten points are based on the level of matching and five points are based on the availability of funds according to the schedules below:



<b>OSU and UO Matching</b>		
<b>% Match</b>	<b>New Construction</b>	<b>Major Renovation</b>
25% or over	10	10
24%	8	10
15%	6	10
10%	5	9
5%	4	5

**OR**

<b>PSU Matching</b>		
<b>% Match</b>	<b>New Construction</b>	<b>Major Renovation</b>
15% or over	10	10
12%	8	10
9%	6	10
6%	5	9
3%	4	5

**OR**

<b>Technical Regional Matching</b>		
<b>% Match</b>	<b>New Construction</b>	<b>Major Renovation</b>
5% or more	10	10
4%	8	10
3%	6	10
2%	4	7
1%	2	5

**AND**

<b>Majority pledged or in hand. (Verified in proposal)</b>	
<b>% Match</b>	<b>Points</b>
100% add	5
75% add	4
50% add	3
25% add	2
0%>=10% add	1
0%	0

## EMERGENCY REQUESTS

Consistent with OAR 715-013-0075, if a public university has an emergency request, it must be considered by the Commission for submission to the E-Board.

To submit a request, include a cover letter on institutional letterhead to HECC Postsecondary Finance and Capital Staff requesting the emergency consideration. Complete the appropriate E-Board Forms. Consult with your HECC Capital Analyst for current version of the forms.

The Commission shall approve any public university emergency capital construction requests submitted for consideration by the Interim Joint Committee on Ways and Means or the Emergency Board. Requests shall comply with all instructions and deadlines offered by the Legislative Fiscal Office, Department of Administrative Services, and the HECC.

HECC staff will evaluate emergency capital construction requests for potential consideration by the Commission. Only those requests deemed to have met all of the following criteria will be forwarded for Commission consideration.

- (1) Unforeseen circumstances. Whether the project request represents a need that could not have been anticipated or is outside the control of a university.

An example could be the roof of a building. The roof has an expected life span. After that, the roof should be evaluated for replacement. If the condition of the roof at the end of its expected life span is sufficient for continued use, then it becomes deferred maintenance.

At some point, it will become critical deferred maintenance in need of immediate replacement. The institution should have a plan in place for addressing critical deferred maintenance needs and should work to secure funding for that plan through normal capital budgeting processes.

However, if an extraordinary blizzard dumped over a foot of snow on a roof, leading to the roof's collapse, this would likely constitute an emergency. The collapse could present an imminent safety risk to the campus population and could lead to financial losses resulting from water intrusion.

- (2) Imminent life or safety need. Assessing the likelihood and severity for a negative outcome given an accepted risk management approach.

Guiding questions include:

Is the potential risk constant or intermittent?

Is the potential risk an issue for the entire campus population or a subset of the population?

If a subset, what percent of the campus population does that represent?

Does the potential risk disproportionately impact historically underrepresented members of the campus community?

What's the likelihood of a negative outcome?

What's the nature of the potential negative outcome?

Does this include potential loss of life or a more general impact to the safety of the campus community?

What mitigating steps can be taken to avoid a negative outcome?

An example is the main data center at EOU. This request was made to the Commission in July 2016. The data center included an obsolete layout, an aging electrical system, outdated HVAC systems, and a basement location that experienced at least four water intrusion events. The location and condition of the facility jeopardized the reliable operation of EOU's data and telephone networks.

EOU had requested state bond funding for this project through the ARB process with no success. They then requested Emergency Board funding. HECC staff concluded that although the project qualified for consideration under DAS/LFO criteria, it was not recommended for advancement by the Commission.

HECC staff found the flooding events were intermittent, that EOU had already taken mitigating steps since the most recent event, that the existing facility was not regularly staffed or accessed by students, and that the risk was operational in nature and could have been foreseen. In short, it was not found to be an imminent risk requiring immediate intervention. EOU subsequently received state bond funding for this project during the 2017 regular session and completed the project in 2019.

(3) Irreparable harm to student success. Determining the potential for heightened risk to credential completion or student success. Assessing whether a group or cohort of students could experience irreparable harm to their ability to complete their education.

An example is the request from PCC to teach out nursing students from ITT's nursing program. Considered in November 2016, it was approved by the Commission and funded by the Emergency Board eventually assisting a number of students to complete their education.

ITT Technical Institution (ITT) abruptly closed in September 2016. HECC staff collaborated with local institutions to place impacted students in other programs. However, it was challenging to place almost 300 nursing students which was ITT's largest cohort.

Working with the State Board of Nursing, its regional accreditor, and the US Department of Education, PCC volunteered to administer a teach out plan for nursing students who were five quarters from graduating. Funding was the largest barrier because expected costs were forecasted to exceed anticipated tuition revenues since short-term leased facilities would be needed to accommodate the students.

HECC staff recommended advancement by the Commission because it was an unforeseen circumstance that created an imminent risk to students' achieving their completion goals in a workforce area of acute need.

(4) Systematic risk to higher education. Assessing if an imminent, previously unforeseen, systematic risk exists to Oregon institutions of higher education and their students necessitating a partnership with the State to effectively mitigate.

Although there are no historical examples to illustrate this concept, there are a couple theoretical examples. The first is cybersecurity. Because cyberthreats and ransomware attacks have become significant concerns for all higher education institutions, collaboration with the state may prove necessary to successfully mitigate the risks involved.

Granted, this could be addressed during the regular legislative session within the ARB process as evidenced by the policy option package (POP) included in the HECC's 2023-25 ARB. However, the nature of this risk could change over time and may rise to a level suggesting immediate intervention is necessary.

Another example is active shooter training for security staff and other stakeholders. It is likely the institutions are already conducting similar training to mitigate ongoing safety concerns. Again, the nature of this risk could change over time rising to a level necessitating immediate intervention. If so, then it may be appropriate for consideration by the Emergency Board.

## **OUT OF CYCLE REQUESTS**

In accordance with ORS 352.089, a public university that wishes to request the issuance of state bonds for capital construction or improvements shall make a request to this effect to the HECC.

Any requests submitted outside of the HECC agency request budget process for consideration during a legislative session occurring in even-numbered years shall be submitted at least 60 days prior to the start date of the legislative session and shall include all details, plans, forms, and other information as required by the HECC.

1. Include a cover letter on institutional letterhead to HECC Postsecondary Finance and Capital Staff requesting the out-of-cycle request.
2. Complete the project summary and business plan on pages 8 and 9.

3. Include an excel version of
  - a. Major Construction Project (DAS 107BF11a) - Appendix A
  - b. HECC Capital Project Cost Summary - Appendix A2
  - c. LFO Capital Form - Appendix A3

The Commission shall provide a summary through the HECC Postsecondary Finance and Capital Staff to the Governor and Legislature as appropriate by no later than 30 days prior to the start date of the legislative session.

Consult your HECC Capital Analyst for current versions of the forms.

### **OTHER PROVISIONS**

In accordance with ORS 350.379, public universities will report to the Joint Committee of Ways and Means prior to February 1 of each year on the amount of work performed by apprentices, women, and minority individuals under qualified contracts.

Consistent with ORS 352.113, title to any real and/or personal property items acquired under this rule is vested with the State of Oregon.

## APPENDIX A: DAS, HECC, AND LFO PFC REQUIRED FORMS

In accordance with the Department of Administrative Services' Capital Instructions, send HECC the following files by September of respective year. Please do not alter these forms as we are using them in a rollout or summary function.

- HECC Public University Major Construction Project Narrative 107BF11a

### Higher Education Coordinating Commission - Public University / Community College Major Construction/Acquisition Project Narrative

**Note:** Complete a separate form for each project.

<b>Public University or Community College:</b>	University of Oregon	Project Type - indicate percent of budget in each category; total should add to 100%:	
Project Name:	<b>Friendly Hall Deferred Maintenance Pro</b>	Planning/design	20%
Estimated Start Date:	Janaury, 2024	Land/real property acquisition	
Estimated Completion Date:	December, 2027	New construction	
Total Estimated Project Cost <sup>1</sup> :	\$82,973,000	Addition	
Cost per net usable square foot added or renovated:	\$1,855/SF	Remodel	80%
		Total	100%

<sup>1</sup>Include all costs regardless of proposed funding model, such as design and planning, hard and soft construction costs, land and real property acquisition, infrastructure development, furnishings and fixtures, contingencies, etc.

Project Summary (describe the nature and purpose of the project):

Since 1893, Friendly Hall has housed and served generations of University of Oregon students. The Friendly Hall Deferred Maintenance and Renovation Project will ensure the legacy of this historic building will be preserved for students and faculty for decades to come. The renovation will ameliorate serious safety issues by providing seismic upgrades, a more accessible building, resolving building and site code violations, and eliminating a portion of the University of Oregon's deferred maintenance backlog. In addition, it will bring together multiple language programs currently scattered around campus into a centralized Global Studies and Languages hub benefitting from modern classrooms, office spaces, and gathering spaces and creating efficiencies with a centralized student resource center focusing on student support for underrepresented students, study abroad programs, and career development.

Facility Details (describe specific details such as number of stories, square feet, type and number of components such as classrooms and labs)

44,740 gsf, four stories plus basement. School of Global Studies and Languages including:

- o Classrooms serving over 3,500 students annually.
- o Up to 130 faculty and graduate student/instructor offices and workstations.
- o Collaborative learning spaces including Language Hubs that support underrepresented students.
- o Student- and faculty-focused, administrative support office suite.
- o Facilities for School's degree programs: 16 Undergraduate Majors, 22 Undergraduate Minors, and 11 Graduate degrees/specializations.

Funding Request			
Type of Funding Requested	Project Funding Amount Requested	Estimated Biennial Debt Service <sup>5</sup>	Debt Service <sup>5</sup> Funding Source
General Funds/Lottery Funds			N/A
Article XI-F(1) Bond Proceeds <sup>2,4</sup>			Other Funds
Article XI-G Bond Proceeds <sup>3,4</sup>	\$ 7,543,000		General Fund
Article XI-Q Bond Proceeds <sup>4</sup>	\$ 67,887,000		General Fund
Lottery Revenue Bonds			Lottery Funds
<b>Total</b>	<b>\$ 75,430,000</b>	<b>\$ -</b>	

- Six Year Capital Plan - DAS Capital 107BF12

Update the six-year capital plan with your new changes and save file with your validations and footnotes. HECC Staff will provide DAS Capital with the rollup of CIR needs and a summary tab.

Capital Financing Six-Year Forecast Summary 2023-25					
Agency: HECC - Oregon Tech		<b>Provide amounts of agency financing needs for the 2023-25 biennium, by expected use and repayment source. Include proposed project amounts only (do not include debt service from either previously issued debt or from new debt issuance).</b>			
Agency #: 525000					
		Bond Type			
Use of Bond Proceeds		General Obligation Bonds		Revenue Bonds	Totals by Repayment Source
<b>Major Construction / Acquisition Projects</b>					
General Fund Repayment	\$		\$	-	-
Lottery Funds Repayment				-	-
Other Funds Repayment		71,440,000		-	-
Federal Funds Repayment		-		-	-
Total for Major Construction	\$	71,440,000	\$	-	-
<b>Equipment/Technology Projects over \$500,000</b>					
General Fund Repayment	\$	-	\$	-	-
Lottery Funds Repayment		-		-	-
Other Funds Repayment		-		-	-
Federal Funds Repayment		-		-	-
Total for Equipment/Technology	\$	-	\$	-	-
<b>Debt Issuance for Loans and Grants</b>					
General Fund Repayment	\$	-	\$	-	-
Lottery Funds Repayment		-		-	-
Other Funds Repayment		-		-	-
Federal Funds Repayment		-		-	-
Total for Loans and Grants	\$	-	\$	-	-
<b>Total All Debt Issuance</b>					
General Fund Repayment	\$		\$	-	-
Lottery Funds Repayment		-		-	-
Other Funds Repayment		71,440,000		-	71,440,000
Federal Funds Repayment		-		-	-
<b>Grand Total 2023-25</b>	\$	71,440,000	\$	-	71,440,000

# APPENDIX A1: XI-REVENUE SUFFICIENCY

## REVENUE SUFFICIENCY PROCESS FOR ARTICLE XI-F BONDS

Revenue sufficiency includes three components: (1) the annual attestation to the DAS CFO that the institution has sufficient funds to pay the debt service for the projects previously awarded according to ORS 291.445, (2) the HECC internal review required by ORS 350.095 for prospective projects and (3) the external review directed by DAS Capital prior to bond sale for those projects that have obtained Legislative approval.

### 1. Attestation of Existing Projects

This is required annually and is an attestation by the institution to the DAS CFO under ORS 291.445. This applies to debt service for existing projects. HECC's role is limited to summarizing institutional responses. The HECC does not independently verify the attestations.

### 2. HECC Review of Prospective Projects

Prospective XI-F bond projects are not evaluated and prioritized using the HECC University Capital Rubric. As self-funded projects, they are treated as a loan guarantee from the state. They have fewer reporting requirements than the rubric projects. HECC Staff summarizes the project and provides a prospective analysis. There are five primary steps included as part of the HECC's review in fulfillment of ORS 350.095:

1. Create a proposal package with a project summary (see pages 6-7 of the Capital Guide) financial pro forma documenting revenue sufficiency.
2. Review concept with institution staff including documentation of assumptions, enrollments forecasted, and footnotes.
3. Confirm board resolution supporting the project.
4. Develop HECC staff analysis.
5. Report to DAS Capital, LFO and HECC as appropriate.

**What is a pro forma?**  
Typically includes revenue and expense estimates to project future operating results given certain assumptions.

**What does HECC staff analyze?**  
The reasonableness of the assumptions made and the sensitivity of the assumptions to potential variation.

### 3. DAS Capital External Review

This review is directed by DAS Capital prior to the sale of the bonds and is conducted by an independent contractor. The preliminary work at HECC may be used to assist in verifying revenue sufficiency of each proposed project.



- **XI-F (1) REVENUE SUFFICIENCY DETAIL**

- Solely for self-funded projects, the project will not be graded and will be separately submitted in a cluster of similar project requests. Include any board resolutions for the project with the revenue sufficiency analysis and include a pro forma in a standard format annotating business assumption about the project like the following examples:

<b>1. What is the project? Renovation of Smith Memorial Student Union and relocation of the Student Health and Counseling Center</b>
a PSU educates the most underserved students in the state, yet has the largest deficit in the types of spaces needed to better serve URM students. 40% of students served by Student Health and Counseling are considered priority populations.
b. The buildings detailed in this request: Vacate the University Center Building and its costly lease. Relocate Student Health and Wellness to Fairborz Maseeh. Renovate Smith Memorial Student Union.
<b>2. What is hoped to be accomplished by the project?</b>
a. Exit costly lease and building at the University Center and relocate to Fairborz Maseeh. Renovate Smith Memorial Student Union
b. Centralize and improve student services
<b>3. What is the total project cost?</b>
a. The total project cost is \$16M of taxable XI-F bonds for the Student Health and Wellness Center and \$9.7M (of which \$8.2M is taxable XI-F bonds) for Smith Memorial Student Union.
b. The City of Portland requires that the first floor of any building in downtown Portland must serve a retail purpose and consequently the bond request has this segment parsed as taxable bond.
<b>4. What are the current building descriptions?</b>
<b>Smith Memorial Student Union (SMSU)</b>
Smith Memorial Student Union (SMSU) is a four-story building with two basement levels located between SW Park, Montgomery, Broadway, and Harrison. It is the building just south of Cramer Hall and north of Fairborz Maseeh Hall. Skybridges on the third and fourth floors lead to Cramer Hall and Fairborz Maseeh Hall. The third floor skybridge also connects to the University Services Building, School of Business Administration, the School of Education, and Parking Structure 2. Tunnels from the basement level lead to Cramer Hall to the North, and Fairborz Maseeh Hall to the South.
SMSU is PSU's student union and includes a food court on the first floor; a games room in the basement; a ballroom for events on the third and fourth floors; and offices for student organizations, groups, and other services throughout the building.
SMSU was the second building constructed for Portland State and was built in four separate phases between 1956 and 1966. Phase 1 was completed on May 28, 1958. The second phase completed on January 5, 1960, in the northeast corner, was known as Library East until 2012 and possesses separate mechanical and electrical systems. Library East was Portland State College's central library until the construction of Library West (now Millar Library) in 1968. Phase 3 (Addition 1) added the southwest corner of the building and additional work on the northwest corner was completed October 28, 1961 with the final southeast phase (Addition 2) completed on May 28, 1965. The first three phases (NW, NE/Library East, and SW) were all designed by the architects, Lawrence, Tucker & Wallman, with the original unit also benefiting from the consulting services of college union pioneer, Porter Butts. The final SE addition was designed by Mockford and Rudd.
Square Footage:
Gross Square Footage: 220,435
Net Assignable Square Footage: 128,450
<b>Student Health and Wellness Center (SHAC) will be relocated to the Fairborz Maseeh Hall from the UCB.</b>
Fairborz Maseeh Hall is a five story structure located on Broadway between Harrison and Hall Street on the South Park Blocks of Portland State University campus. It is the building just south of Smith Memorial Student Union and north of Shattuck Hall. Skybridges on the second and third floors lead from the north side to Smith Memorial, Parking 2, the School of Business Administration and the School of Education. A tunnel connects the basement to Smith Memorial. The second floor of FMH will be renovated to make it suitable for clinic use after the Art and Design is vacated. The second floor currently at FMH contains open studios and some classrooms.
Square Footage
Building Gross Square Footage: 212,804
Building Net Assignable Square Footage: 188,575

# APPENDIX A2: HECC CAPITAL PROJECT COST SUMMARY



## CAPITAL PROJECT COST SUMMARY

Institution: \_\_\_\_\_

Project Title: \_\_\_\_\_

Priority Number: \_\_\_\_\_

### Capital Construction/Capital Renewal Project Cost Summary/Cost Savings

	First Year	Second Year	Third Year	Fourth Year	Fifth Year	Total Project Costs
<b>Land/Building Acquisition</b>						
<b>Professional Services</b>						
Architectural Services						
Engineering Services						
Planning Services						
Other Expenses						
<b>Construction Services</b>						
Site Improvements						
Utility Improvements						
Cost of Construction						
Other Const. Services						
<b>Equipment and Furnishings</b>						
Equipment						
Furnishings						
Communications + IT						
<b>Operational Savings</b>						
Staffing						
Utilities						
Other						
<b>Net Project Total:</b>	0	0	0	0	0	0

\* Note that bonded projects have a three year project spend plan.

# APPENDIX A3: LEGISLATIVE FISCAL OFFICE CAPITAL FORM

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## 2023-25 CAPITAL FUNDING REQUEST PROJECT INFORMATION FORM

Legislative Fiscal  
Office 900 Court  
St. NE, H-178  
Salem, OR 97301



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### CONTACT INFORMATION FOR RECIPIENT ORGANIZATION

Organization Legal Name

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Organization Type \_\_\_\_\_ Federal Tax ID Number

---

Address

---

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code

---

Contact Person

---

Contact Phone \_\_\_\_\_ Contact Email

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### PROJECT INFORMATION

Project Name

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Project Description

Project Location

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Project Schedule (Please describe the project's readiness, including planned start and end dates and any remaining permits, approvals, or other steps that must be completed prior to beginning.)

**PROJECT BUDGET**

---

**Estimated Project Cost**

Construction/Renovati \_\_\_\_\_  
on Site Improvements \_\_\_\_\_  
Land Acquisition \_\_\_\_\_  
Architectural and Engineering Fees \_\_\_\_\_  
Equipment \_\_\_\_\_  
Contingencies \_\_\_\_\_  
Other Costs (specify) \_\_\_\_\_  
\_\_\_\_\_  
Other Costs (specify) \_\_\_\_\_ **0**\_  
\_\_\_\_\_

**Estimated Total Project Costs**

**Amount Requested** \_\_\_\_\_ **Percent of Total Project Cost** 0%

Type of Funding Requested General Fund

**Matching Funds**

State Funds (source) \_\_\_\_\_  
Federal Funds (source) \_\_\_\_\_  
\_\_\_\_\_ Private/Other Grants \_\_\_\_\_  
Donations/Gifts \_\_\_\_\_  
Other Revenues/Financing (source) \_\_\_\_\_  
\_\_\_\_\_ Other \_\_\_\_\_  
Revenues/Financing (source) \_\_\_\_\_  
\_\_\_\_\_  
**Total Matching** \_\_\_\_\_ **0**\_  
\_\_\_\_\_

**Funds OTHER**

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**INFORMATION**

## APPENDIX B: DEFINITIONS

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**ADA projects** are defined as new construction, remodeling, maintenance, or equipment needed to meet the requirements of the American with Disabilities Act as defined in Public Law 101-336, as amended by PL 110-325 and the 2010 ADAAG Standards.

**Article XI-F(1)** of Oregon’s Constitution authorizes the State to issue general obligation bonds to acquire, construct, improve, repair, equip and furnish buildings, structures, land and other projects that the legislative assembly determines will benefit higher education institutions or activities. In this context, “higher education institutions or activities” includes any of Oregon’s seven Public Universities as defined in Oregon Revised Statutes (ORS) 352.002 or the Oregon Health and Science University (OHSU). Bonds cannot be issued under Article XI-F(1) unless the constructing authority (the higher education institution) conservatively estimates it will have sufficient revenues to repay the bonds and operate the projects financed with the bond proceeds. For this purpose, revenues include all funds available to the constructing authority except amounts appropriated by the legislative assembly from the General Fund. The State indebtedness for XI-F (1) bonds is not allowed to exceed three-fourths of one percent of the real market value of all taxable property in the state.

**Article XI-G** authorizes the State to issue general obligation bonds to acquire, construct, improve, repair, equip and furnish buildings, structures, land and other projects that the legislative assembly determines will benefit higher education institutions or activities or community colleges authorized by law to receive state aid. In this context, “higher education institutions or activities” includes any one of Oregon’s seven Public Universities as defined in ORS 352.002 or OHSU. And, in this context, “community colleges authorized by law to receive state aid” means community colleges operated by any one of the 17 community college districts formed under ORS Chapter 341. The State indebtedness for XI-G bonds is not allowed to exceed three-fourths of one percent of the real market value of all taxable property in the state. Bonds cannot be issued under Article XI-G unless the constructing authority has unconditionally available matching funds at least equal to the amount of debt incurred when the bonds are issued. The matching amount must be used for the same or similar purposes as the XI-G bond proceeds and may consist of moneys appropriated from the General Fund or any other money available to the constructing authority for such purposes. However, the matching amount may not consist of proceeds of debt incurred by the State under any other article of the Constitution. The Department of Justice has interpreted that Lottery Revenue Bonds may be used as match for Article XI-G bonds.

**Article XI-Q Bond Program** - In the manner provided by law and notwithstanding the limitations contained in section 7, Article XI of the Oregon Constitution, the credit of the State of Oregon may be loaned, and indebtedness incurred to finance the costs of:

- (a) Acquiring, constructing, remodeling, repairing, equipping, or furnishing real or personal property that is or will be owned or operated by the State of Oregon, including, without limitation, facilities, and systems.
- (b) Infrastructure related to the real or personal property; or

(c) Indebtedness incurred for XI-Q bonds.

**Bond** – Bonds are an instrument of indebtedness of the bond issuer to the holders. It is a debt security, under which the issuer owes the holders a debt and is obligated to pay them principal and interest at specified dates and pay in full later, termed the maturity date.

**Capital Construction** – Expenditure for the construction of new buildings or additions to existing buildings. Construction costs include architect fees, land acquisition, land clearing, interest during construction, materials, subcontractors, and agency labor. These projects are to be separately budgeted and accounted for in a specific cost center.

**Capital Improvements** – Expenditures for improvements to land or improvements and remodeling of existing buildings which increase the value, extend the useful life of the property, or make it adaptable to a different use. The same elements included in capital construction would be included in capital improvements. Improvements include any amount expended to improve leased property including those provided by the lessor if lump sum payment is required by the lessee. These projects are to be separately budgeted and accounted for in a specific cost center.

**Deferred Maintenance** is maintenance not performed when it should have been. It may also include maintenance needs resulting from unforeseen circumstances such as windstorms, premature failure of facilities components, etc. It is typically measured in terms of a budget cycle. It is widely believed that deferred maintenance costs are significantly higher than corresponding routine maintenance costs in achieving the same stewardship objectives. Land remediation is not allowed as deferred maintenance.

**Eligible Projects** are defined as any construction, remodeling, maintenance, ADA project, or equipment requests not prohibited by state statute or administrative rule.

**Equipment** is defined as tangible personal property of a non-consumable nature, with a useful life of more than one year and a cost exceeding a dollar amount to be specified by the Office.

**Instructional Purpose** is defined as those activities that directly support classroom, shop, or laboratory teaching, basic skills teaching, customized training, tutoring, student testing and assessment, student advising or counseling, and library services.

**Education and General (E&G) Expenses:** For decades, NACUBO's Financial Accounting and Reporting Manual (FARM) has served as the definitive guide for assigning expenses to a primary function. Those categories have not only shaped the organization of our general ledgers and audited financial statements, but they also form the basis of institutional reporting to the U.S. Department of Education's National Center for Education Statistics , as follows:

E&G	Non-E&G
Instruction	Auxiliary Enterprise
Academic Support	Hospitals
Student Services	Independent Operations
Scholarship and Fellowships	Operations and Maintenance
Research	Depreciation
Public Service	Interest Expense
Institutional Support	
*Adapted from FARM 703 NACUBO and IPEDS.	

**Strategic Capital Development Plan (SCDP):** The 10-year strategic capital development plan or SCDP is a high-level summary of capital need based on demographic, economic, industry, and other environmental factors, dividing the targeted portfolio by region of the state. It divides the existing and potential future capital portfolio according to ideal usage and utilization, estimating space need for different academic disciplines and functions.

**UNDERSERVED COMMUNITIES IN OREGON:** For the State of Oregon as a whole (not education-specifically), a 2021 definition of historically and currently underserved communities includes Oregonians who are: Native Americans, members of Oregon’s nine federally recognized tribes, American Indians, Alaska Natives; Black, Africans, African Americans; Latino/a/x, Hispanic; Asian, Pacific Islanders; Arab/Middle Eastern/North Africans; immigrants, refugees, asylum seekers; undocumented persons, DACA recipients, “Dreamers”; linguistically diverse; people with disabilities; LGBTQ+; aging/older adults; economically disadvantaged; farmworkers, and migrant workers. 5

**UNDERSERVED STUDENTS AND LEARNERS:** Students and learners whom education systems have historically failed to support or are currently failing to support sufficiently in the achievement of equitable outcomes. The specific categories of historically and currently underserved groups in the context of postsecondary education and training may vary by the specific outcome measure (for example, the disparities for college access differ from the disparities for college completion). For the HECC, postsecondary education equity will be achieved once one’s identity/identities or demographic group/s—including but not limited to racial/ethnic identity, socio-economic background, dis/ability status, gender, sexual orientation, parental status, veteran status, and geographic origin or location—no longer predict inequitable access to and success in postsecondary education and training.

