
MEMORANDUM

TO: NEIL BRYANT, CHAIR, HECC
COMMISSION MEMBERS
FROM: BRIAN FOX, DIRECTOR, PUBLIC UNIVERSITY BUDGET & FINANCE
SUBJECT: SOUTHERN OREGON UNIVERSITY DEC. 2015 CONDITIONS REPORT
DATE: DECEMBER 4, 2015
CC: BEN CANNON, EXECUTIVE DIRECTOR

Framing and Overview

This memorandum is written to frame the Commission's duties regarding Southern Oregon University and the conditions established between the institution, the former Oregon State Board of Higher Education (OSBHE) and the Governor. These conditions are attached, as is an agreement reached between the HECC and the institution as to the structure and framing of the December 10th report.

The HECC's role with regard to the second review – the first involving the HECC – is to provide feedback and recommendations to the institution as to their progress in meeting the conditions. The presentation, financial and operational metrics, as well as interviews and analysis by HECC staff will provide the informational basis for this report. This is an opportunity for the Commission to interact directly with institutional leadership, to ask questions and to probe issues and efforts confronting the institution. The feedback from the Commission to the institution is the single formal opportunity for the Commission to communicate its expectations around institutional performance as it relates to mission refinement, program rationalization, contribution towards 40-40-20, and financial stability.

The report to the Commission from the institutions is designed to showcase the institution's efforts related to mission refinement and decision making framework – on a go forward basis. Both universities have had recent leadership transitions and their Board of Trustees took control of the institutions less than six months ago. Neither has had an opportunity to undergo a strategic planning process and both are still adjusting to the new funding and governance paradigm. With that in mind HECC staff has asked the institutions to focus on what systems they have put in place to better manage their institution, what threats and opportunities confront them and how their leadership team and Board of Trustees will make decisions about the strategic direction of the institution.

The conditions establish a set of metrics and information which the institutions are required to provide to the Commission and are largely focused on the financial stability and operations of the institution. These metrics however are means and not an ends. The overarching purpose of the

conditions is to ensure that “the institution effectively demonstrates a clear institutional focus and durable niche within the portfolio of public higher education assets in Oregon and that this niche:

- Supports the state’s and region’s civic, cultural, economic and 40-40-20 needs;
- Enables a cohesive and sustainable enrollment model; and
- Supports the long-term viability of the institution.”

The OSBHE believed that the lack of “clear institutional focus” and establishment of a “durable niche within the portfolio of higher education assets” were the cause of the institutions long-term financial instability. Correcting this will allow the institutions to be successful over the long-term.

Background and Staff Observations – Southern Oregon University

HECC Staff has had extensive, open and positive interaction with SOU staff. The institution has made meaningful and significant progress since the final retrenchment plan was adopted in the Spring of 2014. The open and collegial nature of information sharing and willingness to discuss frankly and directly past efforts and continuing initiatives of the institution is noted and appreciated. SOU’s leadership has taken to heart the need to transform the institution in order to be successful over the long-term.

SOU has experienced numerous budget challenges over the past several decades. Its enrollment, and thus revenue, has been quite volatile in both up- and down-swings. Over the past decade enrollment has swung from 4,418 FTE (2004-05) to a high of 4,875 FTE (2011-12) and back down to 4,398 FTE (2014-15). SOU’s enrollment increased significantly during the Great Recession and it expanded its programs, course offerings and increased faculty. When the recession ended and enrollments declined at SOU the expansion in costs, high levels of faculty release and proliferation of low-enrolled courses quickly ate through the institutions reserves. At this point state funding and federal stabilization efforts dwindled and ceased and the institution was pushed into retrenchment.

During past retrenchment efforts SOU had failed to pare back its course offerings and programs, but had reduced its administrative and management team. This effort to spare the “core” of the institution resulted in its ability to proactively manage through troubled waters experienced by most similarly situated regional comprehensive universities.

The efforts and issues which have confronted SOU are outlined in detail in its report to the OSBHE in May of 2015.

HECC Staff spent an intensive day conducting a site visit with members of SOU’s executive leadership team, division directors, enrollment, retention, budget, instructional research and registrar’s office. Since that time, SOU has provided significant and detailed information. This visit surfaced much of the good work and rapid turnaround at SOU. It also brought forward a series of areas where SOU is continuing or needs to continue efforts. Some observations and questions for

the Commission to keep in mind while reading SOU's material and when hearing from their leadership team follow;

- SOU has seen its enrollment flatten and stabilize over the past year after an abrupt decrease since a peak during the 2011-12 academic year. What is SOU's recruiting, enrollment and financial aid strategy and does it support access, retention and completion?
- During the SOU's 2007 retrenchment aggressive cost savings measures were articulated but were never realized when revenue grew as enrollments increased. The Retrenchment Plan is premised on significant savings through faculty retirements which are spread across many departments, some of which are growing and some of which are shrinking. Savings also rely on very moderate salary and OPE increase assumptions. Increases in state investment and tuition revenue position SOU to reach its financial targets well within schedule. Can the savings expected in the Retrenchment Plan be realized and has the institution made the operational and strategic decisions to be well positioned if and when tuition or state appropriations dip once again?
- Analysis conducted by the Chancellor's Office in 2013 showed significant costs associated with non-teaching time by tenure/tenure track faculty members. This included both course release time and the non-teaching component of faculty time. SOU had no systems in place to monitor and control release time or understand and ensure accountable use of the non-teaching component of faculty time. SOU now tracks release time. Has SOU made advancements in reducing release time and creating an accountability system to ensure that the investment in non-teaching faculty time is advancing the institution's mission and supporting student success?
- The budget pro-forma included in SOU's Retrenchment Plan called for significantly lower total expenses and significantly lower revenues than its current year budget and future expectations. The original plan assumed decreases in enrollment, which certainly accounts for some of this change. Are SOU's efforts through the retrenchment process effectively constraining cost increases such that during the next dip in enrollment or dip in state funding it will be positioned to continue investments in student success and mission fulfillment?
- A wholesale restructuring of the academic management of SOU took place during the retrenchment process. This included the elimination of three Dean positions and the creation of Division Directors. The Division Directors are closer to re-organized and themed groups of departments. This re-organization allows for much greater oversight and deeper understanding of faculty work and department level demands. Do these new Division Directors have the tools and authority necessary to be effective?

- SOU has, over the past several years, pursued a strategy to become both a “destination campus,” “the liberal arts university of the west” and an institution tightly enmeshed with and serving its region’s needs. The institution’s program mix and degree offerings include marquee programs which are expensive to offer. As with many liberal arts universities the mission statement of SOU is broad and encompassing of the many traditions of a liberal arts institution. Offering a wide range of programs is difficult to sustain with a relatively modest and volatile enrollment base and Oregon’s traditionally low state subsidy. What criteria or decision framework does SOU use to determine what it should or should not offer and how does it define its niche within Oregon?

Material

This transmission includes a significant amount of material for Commissioners to read and to weigh in preparation for the HECC meeting on December 10, 2015. Staff recommends that Commissioners begin by reading the conditions as established by the OSBHE and agreed to by the Governor and the administration of SOU and subsequently the framing document for the December 2015 check in. This will provide grounding for the Commission’s and the institution’s duties and responsibilities. The reports provided by the institution, both written and in presentation form as well as financial and operational information compiled by HECC staff, as well as reports submitted by the institution to the OSBHE in May 2015 should then provide background information which will allow Commissioners to be fully versed in the issues and accomplishments of the institution.

HECC Response

To close where this document began, the HECC’s role with regard to the second review is to provide feedback and recommendations to the institution as to their progress in meeting the conditions as approved by the OSBHE. This is an opportunity for the Commission to interact directly with institutional leadership, to ask questions and to probe issues and strategic landscape confronting the institution. Similarly, this is a forum to better understand the opportunities and efforts the institution is exploring and to raise areas for further exploration by Commission staff in preparing Commission feedback. This feedback from the Commission to the institution is the single opportunity for the Commission to communicate its expectations around institutional performance as it relates to mission refinement, program rationalization, contribution towards 40-40-20, and financial stability of the institution.