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**Docket Item:**

SOU and EOU Conditions Reports

**Summary:**

Under Oregon law<sup>1</sup>, the HECC must determine whether Southern Oregon University (SOU) and Eastern Oregon University (EOU) have satisfied the conditions that the former State Board of Higher Education (SBHE) imposed upon those universities at the time it approved institutional governing boards for them in 2014.

The SBHE conditions (attached here as Appendix A) required SOU and EOU to submit to the HECC a comprehensive report demonstrating the institution's unique mission, program focus, and long-term financial viability. The Commission is required to evaluate whether the institution meets the conditions by demonstrating a clear institutional focus and durable niche within the portfolio of public higher education assets in Oregon, and determining 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 conditions require that the HECC focus particular attention on “the institution's ability to maintain financial stability within the outlined mission and program framework and absent extra-ordinary and discretionary revenue (e.g., state appropriations) and expense items.”

The HECC must notify the Governor, the Legislative Assembly, and the Boards of Trustees upon its determination of whether the institutions have met the conditions.

In January, 2016, HECC evaluated and provided interim feedback to SOU and EOU about their progress towards meeting the conditions (attached here as Appendix B). On December 14, 2017, SOU and EOU representatives made presentations to the Commission about how their institutions have satisfied the conditions and, on December 31, submitted their final written reports to HECC staff. These written materials were provided to the Commission at its January 11 meeting (see [http://www.oregon.gov/highered/about/Documents/Commission/COMMISSION/2018/01\\_Jan-11-18/7.3a%20SOU%20Conditions%20Report.pdf](http://www.oregon.gov/highered/about/Documents/Commission/COMMISSION/2018/01_Jan-11-18/7.3a%20SOU%20Conditions%20Report.pdf) and [http://www.oregon.gov/highered/about/Documents/Commission/COMMISSION/2018/01\\_Jan-11-18/7.3b%20EOU%20Conditions%20Report.pdf](http://www.oregon.gov/highered/about/Documents/Commission/COMMISSION/2018/01_Jan-11-18/7.3b%20EOU%20Conditions%20Report.pdf)).

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<sup>1</sup> Section 168a, Chapter 768, Oregon Laws 2013 (as amended by SB 493 (2015))

Since that time, HECC staff has worked with SOU and EOU staff to clarify points contained within their written submissions and to develop the attached reports for the Commission's consideration.

In summary, staff finds that SOU and EOU have taken considerable steps to strengthen their institutional focus/niche, stabilize enrollment and completion, improve their financial management, and ensure their long-term fiscal viability. While both institutions fail to meet one of the three financial ratio targets established for them in the conditions, the trend lines for both institutions are positive. After considerable analysis, including detailed stress-testing, staff concludes that both institutions have built sufficient reserves to ensure their solvency over at least the next five years even under considerably less positive scenarios than the institutions currently forecast. Finally, the conditions note that the ratios analysis should "not serve as a single decision point," but should instead "substantially inform" the HECC's determination. As a result, while it could be argued under a very rigid interpretation of the conditions that the institutions are not meeting the conditions, staff concludes that SOU and EOU are substantially in compliance with the spirit and intent of the State Board of Higher Education.

**Docket material:**

SOU Conditions Report

EOU Conditions Report

Appendix A: State Board of Higher Education Conditions for SOU and EOU

Appendix B: January 2016 Interim HECC Reports

**Staff Recommendation:**

The Commission should determine, via vote, whether SOU and EOU have "met" or "not met" the SBHE conditions. The Commission should discuss and determine what information/material should accompany the transmission of that decision to the Governor, Legislature, and Boards of Trustees.