



Docket Item:

Southern Oregon University Conditions Response Letter

Summary:

This letter is written to fulfill the Higher Education Coordinating Commission's (HECC) responsibility under the Second Review included within the conditions agreed to by Southern Oregon University (SOU), the State Board of Higher Education (SBHE) and the Governor in May of 2014 in order to establish an independent board of trustees at SOU. These conditions were established because of the long-term financial weakness at SOU. The SBHE saw this weakness as a persistent, and not transitory, condition of the institution caused by an unfocused and unaligned mission.

The following sections of this letter outline areas of clear progress in which improvement has been made or substantial efforts are under way, as well as areas of needed improvement and continued focus. It is important to note that for those areas where evidence of progress exists, sustained long-term progress is needed to secure the success of SOU and the southern Oregon region for which it plays such a critical role.

Docket Material:

Background Discussion

Three reviews are required under the established conditions, culminating in a comprehensive report to be developed by the institution and submitted to the HECC by December 31, 2017. The HECC must then make a determination, and report its findings to the Governor, the Legislature and the board of trustees at SOU, as to whether the institution 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."

On December 10th, 2015 SOU's leadership team and others met with the HECC to submit the Second Review stipulated by the agreed upon conditions. The Commission extends its thanks and gratitude to SOU leadership and staff for prioritizing this presentation, and for making time and relevant material available to HECC staff before and after to facilitate the review process. The purpose of the Second Review is for the HECC to "provide feedback related to institutional progress and suggested areas of emphasis and needed improvement."

Institutional Progress

Below is a non-comprehensive set of areas in which SOU has demonstrated success and institutional progress through its retrenchment and restructuring efforts. It is clear that much work has been done and there is commitment from institutional leadership to the long-term success of the institution.

- SOU has effectively staunched the significant declines in FTE enrollment experienced over the past several years. The 2014-15 Academic Year enrollment was a mere 0.5% below 2013-14 enrollment, and 2015 Fall 4th week enrollment was up 1.4% when compared to 2014. This increase is the result of a larger freshmen class that more than offsets a somewhat shrinking transfer cohort. The rebuilding of a freshman class bodes well for the future of SOU. The establishment of a tactical enrollment plan by SOU is paying dividends.
- The appointment of an interim president, Dr. Roy Saigo, and the focus he has brought to morale, improving campus culture, implementing and supporting a restructuring of academic administration, and seeing through a significant portion of the previously established retrenchment process has created a sense of optimism and commitment within the administrative team and campus community that is key to building a successful and more deft SOU. This change in institutional perspective to one of confidence and optimism is palpable and bodes well for the institution.
- Total Education and General (E&G) revenues have increased significantly for SOU since FY14, creating fiscal space for the stabilization of the institution's balance sheet, rebuilding of reserves, and for broadly positive ratios. However, this increase is largely due to significantly increased state funding, which is fickle by nature.
- The academic management of the institution has been fully restructured to enhance authority for curricular and departmental management through newly created Division Directors who operate closer to the departmental level than Deans did under the previous structure. The Directors are empowered to make faculty allocation decisions and are supported by a newly created Associate Vice President for Academic Resource Management (AVP ARM). This system appears to be a significant improvement over the prior system for an institution the size of SOU.
- After years of hollowed out administrative ranks at SOU, the institution has begun to rebuild its management team. This is overdue and a needed improvement. It is clear that the enhanced capability in budget and finance, institutional research, the registrar/enrollment management office, as well as the Provost's Office is increasing that ability of SOU to understand and adapt to the new governance structure and dynamic external operating environment.
- The institution currently lacks a strategic plan. This lack of a strategic plan reduces the ability of academic and non-academic units to plan, organize and orient their efforts. However, the institution has begun the data collection phase and is engaging stakeholders throughout the organization to create buy-in and a meaningful strategic plan will be the end result. The early efforts today will bear fruit through a document which will effectively guide the institution over the medium-term.

Suggested Areas of Emphasis and Improvement

Below are a set of key areas which the HECC has identified for improvement or emphasis at SOU.

- SOU did not elect to re-examine its mission or institutional focus during the development or execution of its retrenchment plan, nor during its subsequent report to the HECC, and has it

HIGHER EDUCATION COORDINATING COMMISSION

January 14, 2016

demonstrated efforts to do so in the near future. The significant transition in executive leadership at SOU, establishment of a new governing board and its accreditation cycle have likely contributed to this. That this critical aspect of examination was taken off the table during the retrenchment planning phase, despite pressure from the State Board of Higher Education, ensured that the process was an exercise in tactical cost-reduction and not a strategic repositioning. The institution will need to face and answer questions as to what it is, and just as importantly, what it is not given longstanding concerns over the sustainability of its broad array of programs. This will allow it better to orient and adjust its curricular offerings to focus on areas of strength with recognition of regional needs and fiscal constraints.

- The retrenchment plan established by SOU is tactical in nature and relies on the retirement of faculty members, compensation cost savings, and one-time transfers from auxiliary units. In many cases savings associated with faculty retirements will not be fully realized as these retirements come in areas of high demand and little excess capacity, requiring SOU to backfill retirements with new faculty. Compensation savings that were expected to be permanent in the retrenchment plan were not achieved and ongoing roll-up costs associated with compensation and benefits will challenge revenue growth. In addition, the auxiliary unit was recently hit with a \$2.5M BOLI prevailing wage settlement, which is material to the university and will likely reduce the auxiliary's ability to support the institution's E&G budget.
- Enrollment at SOU has been highly volatile and counter-cyclical, increasing when the economy declines and shrinking when the economy is growing. Tactical improvements and long-term efforts are underway to establish more consistent enrollment channels. However, nascent efforts to increase diversification of enrollment in terms of demographics, geographic boundaries and resident/non-resident status will need to take root. An area of success has been the long-term investment in outreach to the growing Hispanic population in the Rogue Valley.
- SOU does not have a systematic and centralized system which allows management to understand utilization rates or instructional capacity and thus to effectively manage faculty, departmental or divisional productivity. Without this critical internal management system the institution is unable to effectively prioritize or rationalize investments given financial constraints.
- Faculty non-teaching time is not systematically understood, tracked, evaluated or intentionally managed to support the institution's needs. The current collective bargaining agreement outlines only the general duties expected of tenured faculty members for contractually obligated non-teaching time, but does not classify, measure or assess the use of this time. This deficiency encumbers the institution's ability to understand its service, research and scholarship which support the institution's mission. Further, there continues to be a significant amount of release time beyond contractually obligated non-teaching time at SOU which should, to the extent possible, be incorporated into this non-teaching time.

Conclusion

Southern Oregon University has managed to stabilize its enrollment and put itself in a much improved fiscal position. It has made great strides over the past two years in building a foundation for success. The HECC appreciates SOU's willingness to have open and frank dialogue regarding its plans, efforts and issues to be confronted. Much work has been done; much work remains.

The Commission wishes to receive an interim update at the end of 2016 regarding the areas highlighted in this communication and on the institution's general operating condition and strategy. This update should be a

HIGHER EDUCATION COORDINATING COMMISSION

January 14, 2016

part of the annual institutional evaluation process conducted by the HECC. SOU and the HECC share a deep interest and commitment to ensuring the institution's long-term viability.

Staff Recommendation:

Approve feedback to Southern Oregon University related to the conditions review.