



Docket Item:

Eastern 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 Eastern Oregon University (EOU), the State Board of Higher Education (SBHE) and the Governor in May of 2014 in order to establish an independent board of trustees at EOU. These conditions were established because of the long-term financial weakness at EOU. The SBHE saw this weakness as a persistent, and not transitory, condition of the institution caused by a mission and operating structure incongruent with the region's needs.

The following sections of this letter outline areas of clear progress in which improvement has been made or substantial efforts are underway, as well as areas of needed attention and effort. It is important to note that for areas in which progress has been made, this progress must be sustained over the long-term in order for EOU, and the eastern Oregon region for which it plays such a critical role, to be successful.

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 EOU, 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 EOU'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 EOU leadership and staff for prioritizing this presentation, and for making time and relevant material available before and after to facilitate the review process. The purpose of this 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 EOU has demonstrated success and institutional progress through the implementation of the Sustainability Plan 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.

- EOU, under the leadership of its newly appointed president Mr. Tom Insko and its immediate past interim president Dr. Jay Kenton, has implemented the most difficult portions of its Sustainability Plan including significant reduction in force and capturing one-time savings. The conclusion of these efforts positions EOU as a leaner and more nimble institution.
- The systematic nature of the Sustainability Plan effectively restructured and pruned back the academic offerings and streamlined the curricular structure of EOU in order to channel demand through a more directed set of course options. This was required and desirable in order to increase course utilization and to guide students through effective pathways to completion. This focusing of options and degree pathways matches EOU's mission with its available resources.
- Total Education and General (E&G) revenues have increased significantly for EOU since FY14, creating fiscal space for the stabilization of the institution's balance sheet and rebuilding of reserves, and has led to broadly positive financial ratios. However, this increase is largely due to significantly increased state funding, which is fickle by nature.
- EOU has developed, and is implementing, a set of benchmarks to measure success at all levels of the organization. This set of benchmarks takes into consideration multiple facets of the institution and allows for EOU's executive team to measure effectiveness and position the institution to achieve its goals. This will help EOU to be in a favorable financial position over the long-term and manage its own destiny. Further, EOU leadership is developing a decision support tool which will allow management to better understand the consequences of curricular, programmatic and non-academic investment decisions. The institution's focus on decision management tools uniquely positions it to understand and control its operating environment.
- The university has demonstrated a strong and enduring commitment to bootstrapping itself back to a firm operating position, and is making the short-term and long-term decisions necessary to control its own fate, regardless of external forces.
- The strengthening of EOU's administrative ranks will bolster the ability of the institution to proactively position itself to capture opportunities and react to a changing higher education landscape.

Suggested Areas of Emphasis and Improvement

Below are a set of key areas which the HECC has identified for improvement or emphasis at EOU. In many ways EOU has or is implementing many of the systems and processes necessary to be successful.

- EOU's enrollment continues to decline at a significant rate. In Academic Year 2014-15 enrollment on an FTE basis was down nearly 17% from only two years prior. This trend continues as EOU's enrollment shrank 4.9% from Fall 2014 to Fall 2015. A stabilization and eventual increase in enrollment will be necessary for the institution to support itself. It cannot continue on its current downward trajectory. Long-term concerns as to whether the population base of eastern Oregon is

sufficient to support EOU persist. Increasing enrollment, particularly of Hispanic students who represent a growing demographic in the region but who have been historically underserved by higher education, will be key to EOU's future.

- The shift to an outcomes-based funding distribution model by the HECC will challenge EOU given its traditionally low completion rate. Increases in completions and student success will be vital to maintaining current levels of state support, which are significantly higher than the average per student or per completion level seen at other Oregon public universities. With the continued growth in the population of college-aged Hispanic students in its region, EOU will need to increase access and success of this population in particular.
- While state revenues have increased significantly in the past several years, so have overall expenses for the institution. Continued cost containment and minimizing the growth of compensation increases – despite known and significant future increases in benefits related expenses-- will be crucial to EOU maintaining a balanced budget and enhancing its financial position over the long-run. Given the fickle nature of state revenues and the price sensitivity of EOU's student base, cost containment must be an ongoing priority for the institution.
- The limited administrative bench and significant amounts of turnover in leadership positions throughout the academic and administrative units has created persistent institutional weakness. Creating continuity and longevity in leadership will help steady EOU and allow it to capture benefits derived from its recent restructuring and investments in systems and processes.
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Conclusion

Eastern Oregon University has effectively executed an ambitious Sustainability Plan in a relatively short amount of time, and has managed to stabilize its financial position through a combination of increased state investments and institutional cost controls. However, continued enrollment declines place the institution at great risk. That said, EOU has made strides over the past two years in positioning itself for success. Many of these strides will only become visible over time. The HECC appreciates EOU's willingness to have open and frank dialogue regarding its plans, efforts and issues yet to be confronted. Much of the hard work has been done or is being done. Continued efforts to enhance its reputation and appeal to potential students must continue. EOU is positioned to be a leader in distance education and focus on the growing Hispanic population in eastern Oregon. If it can bring these students into higher education and support them to completion, EOU stands to be a major beneficiary of the HECC's SSCM funding model and a major contributor to achieving Oregon's 40-40-20 goal.

The Commission wishes to receive an interim update at the end of 2016 regarding the areas highlight in this communication and on the institution's general operating condition and strategy. This update should be a part of the annual institutional evaluation process. EOU and the HECC share a deep interest in ensuring the institution's long-term viability and robustness.

Staff Recommendation:

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