ANALYSIS

Item 4: Higher Education Coordinating Commission

SOU Financial Stability

Analyst: Kim To

Request: Acknowledge receipt of reports from the Higher Education Coordinating Commission on Southern Oregon University's updated financial modeling and operational plan through June 30, 2027 and the plan for the future delivery of higher education in southern Oregon; and allocate $7,500,000 from the special purpose appropriation made to the Emergency Board to address a projected operational funding shortfall for Southern Oregon University.

Analysis: Over the last 15 years, Southern Oregon University (SOU) has grappled with structural budget deficits driven by declining enrollment and rising operational costs. Retrenchment efforts began in 2014 to build the university's fund balance, grow enrollment, improve retention rates, increase the average class size, reduce low-enrollment courses, and manage efficiencies and accountability of faculty assignments. Despite these efforts, SOU has experienced negative operating cash flows in recent years, relying on state appropriations and temporary federal COVID-19 funds to stabilize operations. As federal relief ended, underlying financial challenges became more evident. In 2023, SOU launched the SOU Forward Plan to close the gap between costs and revenue, including plans to expand its fundraising capacity, diversify revenue, and manage costs. In August 2025, the university declared financial exigency, adopting the Resiliency Plan to further reduce staffing, restructure academic programs, and generate revenue. By spring 2026, SOU forecasted a potential failure to meet financing obligations by spring 2027.

To provide bridge stabilization in order to create time for restructuring and orderly transition planning, protect current students, preserve higher education access and prevent economic disruption in southern Oregon, HB 5204 (2026) includes a special purpose appropriation (SPA) to the Emergency Board in the amount of $15 million General Fund to be allocated to the Higher Education Coordinating Commission (HECC) to provide SOU with short-term financial stability and address the projected operational funding shortfall. Allocation of the SPA is contingent on a series of actions and deliverables specified in two budget notes.

<u>Report on Financial Modeling and Operational Plan Through June 30, 2027</u>

The first budget note requires HECC to submit a report to the Emergency Board on SOU's updated financial modeling and operation plan, endorsed by external budget and accounting experts, demonstrating the institution's ability to meet all obligations through June 30, 2027.

To address this first budget note, HECC submitted a report entitled *Southern Oregon University Financial Modeling and Operational Plan Through June 30, 2027*. The report contains an operation plan with associated financial projections to demonstrate SOU's ability to meet all financial obligations through fiscal year 2027, as well as background information on SOU's current fiscal situation and a summary of three external evaluations of the assumptions underlying SOU's financial projections and related cash flow analysis.

The operational plan outlined in the HECC report serves as a short-term stabilization strategy designed to keep SOU solvent through fiscal year 2027. It does not solve SOU's long-term structural imbalance. The plan includes spending restrictions, hiring freeze and controlled thawing processes, travel approvals, and Resiliency Plan implementation steps. The plan assumes enrollment declines of 2.7%, tuition increases of 4.99%, remissions at 14% of gross, housing occupancy increase of 2.5%, annual wage increases between 3% and 4.38%, and $2.9 million in Resiliency Plan savings realized. The plan relies on one-time funding sources including the $15 million SPA, $7.4 million from federal employee retention credit, and a $4 million reserve from surplus property sales.

The most recent cash flow forecast for SOU presented to the SOU Board of Trustees on April 17, 2026, shows that with the SPA funding, SOU will end each month for fiscal year 2027 with a positive cash balance on an all-funds basis. However, the margin is extremely small. The projected ending cash balance by fourth quarter 2027 is only about $1.2 million.

To evaluate the cash flow forecast model used by SOU staff, three distinct reviews were conducted from February 2026 through April 2026. HECC staff conducted preliminary reviews of SOU's cash flow forecasts. A review team tasked by the governor; led by the Department of Administrative Services' Chief Financial Office (DAS-CFO); and composed of HECC staff and chief financial officers of the University of Oregon, Oregon State University, and the Oregon Institute of Technology was asked to review the assumptions used in SOU's cash flow forecast. Finally, HECC engaged with CilftonLarsenAllen LLP, SOU's external auditor, to evaluate the forecast.

All three evaluations of cash flow projections emphasize that relatively small deviations in enrollment, payroll, or vendor spending could weaken liquidity. Even a 10% shortfall in tuition and fee revenue would reduce cash flow by about $5 million. A 3% increase above projected labor costs would reduce cash flow by approximately $2.5 million. Vendor payments and accounts payable projects rely on historical averages rather than data from key vendor contracts and known future contractual commitments. As a result, projected cash outflows may not fully reflect changes in contract terms, new agreements, or non-recurring vendor activity, potentially understating future cash requirements. Although the formula and modeling approach for vendor payment is practical given current data limitations, it introduces risks that may overstate projected cash balances by roughly $1 million. Optimistic assumptions and thin margins of error could mean renewed cash shortfalls emerging as early as fiscal year 2028. If cash balances deteriorate further, SOU may need to accelerate implementation of the financial sustainability plan, expand cost controls, and implement staffing furloughs.

The HECC report acknowledges that SOU has improved its financial reporting and forecasting systems by resolving structural issues with its new Workday enterprise resource planning system, addressing weaknesses identified in its fiscal year 2025 audit, developing more detailed forecasting and budget tracking systems, and making personnel changes to provide greater technical expertise to support reconciliations and reporting. SOU has also engaged outside experts to optimize Workday functionality. However, improvements are still incomplete. The cash flow model remains highly complex and manually maintained, assumptions are embedded throughout the model rather than centralized, and the system still lacks full automation and Workday integration.

For continued monitoring, the budget note directs SOU, beginning May 2026, to provide monthly financial statements and an updated cash flow forecast to HECC, DAS-CFO, and the Legislative Fiscal Office. On a quarterly basis, SOU must provide a summary of the operational status of the institution identifying any risks affecting contractual commitments and obligations to students. To address these requirements, HECC expects the SOU monthly reporting package to include the following:

1. An education and general budget update including fiscal year 2026 actuals, fiscal year 2027 projected/actuals, and fiscal year 2028 projected
2. An all-funds budget update including fiscal year 2026 actuals, fiscal year 2027 projected/actuals, and fiscal year 2028 projected
3. An all-funds cash flow forecast through fiscal year 2027 including cash receipts, cash disbursements, and ending cash balance
4. An update of key assumptions used within the cash flow forecast, with related contingency planning, to ensure SOU can continue to meet all financial obligations throughout fiscal year 2027

Report on a Plan for Future Delivery of Higher Education in Southern Oregon

A second budget note directs SOU to collaborate with HECC to develop a plan for the future delivery of higher education in southern Oregon, without reliance on ongoing increases in state support, by no later than April 30, 2026. The plan must align existing and potential revenue sources with budgeted expenditures to achieve a balanced budget for the 2027-29 biennium and long-term structural fiscal balance, identify programs and functions of the university that are both specifically meaningful to southern Oregon or the state and capable of sustained delivery, and evaluate options for sustainability that may include partnership with other institutions or as part of an alternative higher education structure. HB 5204 (2026) appropriated $500,000 General Fund to HECC to utilize external consultants to support SOU in developing this long-term financial sustainability plan.

To address the second budget note, HECC worked with SOU to contract with consulting firm Deloitte to develop a plan for future delivery of higher education in southern Oregon. Deloitte conducted interviews and focus group meetings with campus and community members, assessed SOU's financial health, conducted ratio analyses, built a status quo financial forecast, and developed a catalog of strategic options for SOU.

The Deloitte report confirms that SOU faces a severe structural financial crisis driven by declining enrollment and tuition revenue, rising operating expenses, demographic declines in Oregon and California high-school graduates, increased competition among public institutions, and constrained state resources. SOU currently operates with an estimated $12.5 million deficit, which is projected to worsen to $16.9 million by fiscal year 2030 if no major action is taken. SOU must generate roughly $20 million in sustained savings and new revenue to remain viable. The report stresses that the current crisis is not a temporary downturn but part of long-term structural shift in regional higher education that has been building for over a decade.

The report proposes a two-track strategy for SOU to stabilize and evolve, as follows: 1) rapidly reducing costs and stabilizing operations; and 2) rebuilding SOU around a narrower workforce-focused identity by streamlining academic offerings; expanding adult learner and workforce credentials; increasing partnerships with employers and other institutions; and shifting toward flexible delivery models such as online, hybrid, and evening programs. The proposal recommends strengthening core academic areas that enroll most students while restructuring or sunsetting academic units with low enrollment. Priority program areas should include business, education, health care, workforce certificates, and flexible credentials tied to regional employer demand. The report proposes increasing average class size toward 22 students, simplifying degree pathways, and sunsetting under-enrolled programs. On the administrative side, the report suggests that SOU's administrative structure is oversized relative to its shrinking student body and proposes large-scale shared services and outsourcing models. Areas to target include human resources, information technology, payroll, finance, enrollment services, advising, career services, facilities management, and campus security. A major conclusion of the report is that SOU cannot rely solely on traditional residential students and should aggressively target adult learners, certificate seekers, working professionals, stop-out students returning to finish degrees, and transfer students. The report states that auxiliary programs such as housing, dining, athletics, and campus services must become financially self-sufficient and stop drawing support from the university's core educational budget. The report recognizes SOU's core institutional strengths, including strong community identity, philanthropy and community support, close student-faculty relationships, inclusive campus culture, experiential learning, and regional importance to the Rouge Valley. The report concludes that SOU can survive, but only if it can rapidly reduce costs, narrow its academic mission, restructure operations, leverage its strengths, and evolve towards a workforce-oriented and adult-focused education model.

On May 8, 2026, the SOU Board of Trustees resolved to use the *Financial and Strategic Assessment: SOU Option Path to Sustainability* report prepared by Deloitte as a resource for development of a Vitality Plan in time for board action on June 18, 2026. The board also directed SOU administration to provide written monthly implementation reports to the board beginning July 2026.

To satisfy the two budget notes, HECC and SOU will need to provide the following outstanding requirements and supporting materials:

1. Board-approved Vitality Plan, including written monthly implementation reports
2. Monthly financial statements and updated cash flow forecasts to HECC, DAS-CFO, and the Legislative Fiscal Office
3. Quarterly summary of SOU's operational status, including identification of contingency plans for any risks affecting contractual commitments and obligations

Recommendation: The Legislative Fiscal Office recommends that the Emergency Board acknowledge receipt of the reports and allocate $7,500,000 from the special purpose appropriation made to the Emergency for supporting Southern Oregon University with short-term financial stability to the Higher Education Coordinating Commission to distribute to Southern Oregon University to address its operational funding shortfall, with instructions that the Higher Education Coordinating Commission to return to the September 2026 Emergency Board meeting with an update on the progress of the university's Operational Plan and a presentation of the university's Vitality Plan.

Request: Allocate $7,500,000 from the special purpose appropriation made to the Emergency Board to address a projected operational funding shortfall at Southern Oregon University. Report on Southern Oregon University Financial Modeling per a budget note associated with House Bill 5204 (2026). Report on Southern Oregon University Option Path to Sustainability per a budget note associated with House Bill 5204 (2026).

Recommendation: Approve the request and acknowledge receipt of the reports.

Discussion: House Bill 5204 (2026) established a $15 million General Fund special purpose appropriation (SPA) to the Emergency Board for allocation to the Higher Education Coordinating Commission (HECC) to address a projected operational funding shortfall at Southern Oregon University (SOU). House Bill 5204 also included two budget notes requiring HECC and SOU submit reports to the Emergency Board to provide updates to SOU's short-term solvency and long-term structural planning.

The first report, "Southern Oregon University Financial Modeling and Operational Plan through June 30, 2027," provides updated information regarding their current fiscal situation, summarizes cash-flow projections for fiscal year 2027, and outlines an operational plan the fiscal year. Additionally, beginning in May 2026, SOU is also required to submit monthly financial statements and updated cash-flow forecasts to HECC, the Department of Administrative Services Chief Financial Office, and the Legislative Fiscal Office, and to provide quarterly summaries of its operational status and any risks that could affect contractual commitments or obligations to students. Based on current projections, HECC concludes that a $7.5 million distribution from the SPA will allow SOU to remain financially solvent until Fall 2026. To ensure solvency through June 2027, HECC expects to request the remaining $7.5 million at a future meeting of the Emergency Board.

The second report, "Financial and Strategic Assessment: SOU Option Path to Sustainability," outlines options for SOU to consider in pursuing long-term financial sustainability and achieving a balanced budget for the 2027-29 biennium without relying on increased state emergency support. Using a one-time $500,000 General Fund appropriation, HECC engaged Deloitte to perform a comprehensive financial and strategic review. The final report details the Option Path, related analyses, and an implementation roadmap. The SOU Board of Trustees acknowledged receipt of the report on May 8th, 2026, resolved to use the Option Path as a resource in developing a realistic and achievable Vitality Plan to strengthen SOU's structural integrity, and directed SOU administration to provide monthly implementation reports to the Board.

Allocation of $7.5 million now will alleviate SOU's immediate cash-flow issues. Prior to requesting allocation of the remaining funding, HECC should establish appropriate guardrails and accountability measures to ensure SOU's progress towards its long-term stability.

Legal Reference: Allocation of $7,500,000 from the special purpose appropriation made to the Emergency Board by chapter 129, section 320(1), Oregon Laws 2026, to supplement the appropriation made by chapter 548, section 1(2), Oregon Laws 2025, for the Higher Education Coordinating Commission, public university operations and student support for distribution to public universities for the 2025-27 biennium.

Oregon
Tina Kotek, Governor

Higher Education Coordinating Commission
3225 25th Street SE
Salem, Oregon 97302
www.oregon.gov/HigherEd

May 11, 2026

The Honorable Senator Rob Wagner, Co-Chair
The Honorable Representative Julie Fahey, Co-Chair
Emergency Board
900 Court Street NE, H-178
Salem, OR 97301

Dear Senator Wagner and Representative Fahey:

Nature of Request
The Higher Education Coordinating Commission (HECC) requests that the Emergency Board in June approve the release of $7.5 million from the $15 million special purpose appropriation (SPA) established by HB 5204 (2026) to address a projected operational funding shortfall for Southern Oregon University (SOU). Additionally, we request that the Emergency Board acknowledge receipt of two related reports that respond to budget notes included in HB 5204.

HB 5204 included a $15M General Fund (GF) SPA to the Emergency Board to be allocated to HECC to address a projected operational funding shortfall for SOU during FY2027. A HB 5204 budget note requires HECC to submit a report to the Emergency Board on SOU's updated financial modeling and operational plan to continue through June 30, 2027. This is the first report attached, titled "Southern Oregon University: Financial Modeling and Operational Plan through June 30, 2027" ("SOU Financial Modeling Report").

An additional HB 5204 budget note directs Southern Oregon University (SOU) to collaborate with HECC to develop a plan for future delivery of higher education in southern Oregon, without reliance on ongoing increases in state support, and which achieves a balanced budget for the 2027-29 biennium and long-term structural fiscal balance. This report is attached, titled "Financial and Strategic Assessment: SOU Option Path to Sustainability" ("Option Path Report"),

Agency Action
Budget note #1: SOU Financial Modeling and Operational Plan through FY2027

A HB 5204 budget note requires SOU to report to HECC "actions the university will take to ensure continued operations through June 30, 2027, including updated financial modeling, endorsed by external budget and accounting experts, demonstrating the institution's ability to meet all obligations through June 30, 2027."

The SOU Financial Modeling Report, attached, is intended to satisfy the requirements of this budget note. It contains:

- Background information related to SOU's current fiscal situation;
- A summary of three separate determinations by external entities that SOU's current cashflow projections for FY2027 are substantially reasonable, although subject to significant downside risk; and
- A summary of SOU's operational plan for FY2027.

SOU has provided an operational plan with associated financial modeling demonstrating the university's ability to meet all financial obligations through June 30, 2027. With the distribution of the SPA during calendar year 2026, the cashflow forecast shows SOU will end each month during FY2027 with a positive cash balance on an all-funds basis. The forecast assumes the consumption of remaining cash reserves but the protection of a restricted fund that the university is required to maintain for debt service.

Based on current projections, HECC concludes that a $7.5M distribution from the SPA will allow the university to remain cash solvent and make all debt service payments until fall 2026. However, these projections also indicate that the university will require the remaining $7.5M before the end of 2026 to remain solvent through June, 2027. HECC expects to make this additional request at a future Emergency Board meeting, at which time it will also provide an update on the university's fiscal position.

The budget note also directs SOU to provide monthly financial statements, including an updated cashflow forecast, to HECC, the Department of Administrative Services Chief Financial Office, and Legislative Fiscal Office, beginning in May 2026. On a quarterly basis, SOU must summarize the operational status of the institution and identify any risks affecting contractual commitments and obligations to students.

As described in the report, SOU's reports should include updates on the status of key assumptions used within the cashflow forecast and related contingency planning at SOU. For example, HECC will expect updated enrollment projections, and an understanding how SOU will retain the ability to meet all financial obligations throughout FY2027 if enrollment deviates from the assumptions used in the cashflow forecast. Similar updates will be expected for other assumptions embedded within the cashflow forecast, such as savings related to the board-adopted Resiliency Plan, wage growth, benefit contributions, housing occupancy, operating expense inflation, auxiliaries' deficits, and other factors.

Budget note #2: Future Delivery of Higher Education in Southern Oregon

An additional HB 5204 budget note directs Southern Oregon University (SOU) to collaborate with HECC to develop a plan for future delivery of higher education in southern Oregon, without reliance on ongoing increases in state support, by no later than April 30, 2026. According to the budget note, "the plan must align existing and potential revenue sources with budgeted expenditures to achieve a balanced budget for the 2027-29 biennium and long-term structural fiscal balance; identify programs and functions of the university that are both specifically meaningful to southern Oregon or the state and that are capable of sustained delivery; and evaluate options for sustainability that may include partnership with other institutions or as part of an alternative higher education structure."

HB 5204 also contained a one-time $500,000 General Fund appropriation to HECC to utilize external consultants to support SOU in developing its long-term financial sustainability plan. HECC interviewed nationally recognized vendors with significant experience in higher education consulting and, in partnership with SOU leadership, selected the top-scoring vendor that offered the greatest value based on experience, project approach, and cost.

Deloitte, a global consulting firm with a higher education practice, began its engagement in early March and worked through three phases:

- **Pre-launch planning** – Deloitte established governance to oversee the project; launched data and information requests; confirmed project workplan and scheduled status report meetings; identified partner groups for engagement.
- **Current State Assessment** – Deloitte conducted 14 interviews and focus group meetings with 50+ campus and community members and received over 750 responses to its "always on" feedback loop; they assessed SOU's financial health, conducted ratio analysis, and built a status quo financial forecast.
- **Strategic Options Analysis** – Deloitte developed and prioritized a catalog of strategic options; they analyzed the estimated effort and the financial impact of implementing options; and developed an implementation roadmap.

The decision timeline included the following touchpoints with partners:

- **April 28, 2026** – The SOU Board of Trustees held a special meeting during which Deloitte previewed themes and findings.
- **May 4, 2026** – Deloitte released a financial and strategic assessment and hosted an online townhall to present its final Option Path; participants included SOU board members, the campus community, and the public.
- **May 5, 2026** – The SOU Board of Trustees held a two-hour listening session with both invited and public testimony; invited testimony included ASSOU, Faculty Senate, Staff Assembly, APSOU, SEIU.
- **May 8, 2026** – The SOU Board of Trustees held a meeting to acknowledge the receipt of the option path released May 4th that included invited testimony from ASSOU, Faculty Senate, Staff Assembly, APSOU, and SEIU.

At its May 8, 2026 meeting, the SOU Board of Trustees adopted a resolution that acknowledged the university's current financial trajectory is unsustainable and that immediate and substantial changes are required. Additionally, the board resolved to:

- Acknowledge receipt of the Option Path presented by Deloitte on May 4, 2026.
- Use the Option Path as a resource for the development by June 18, 2026 of a realistic, achievable Vitality Plan that improves SOU's structural budget by approximately $20 million through the 2027-29 biennium and beyond.
- Direct the administration to provide written monthly implementation reports to the board beginning July 2026.
- Further direct the administration to fulfill all the obligations conditioned upon the University to receive funding from the special purpose appropriation.

Action Requested
HECC requests acknowledgement of receipt of the reports and the release of $7.5 million of the $15 million General Fund SPA from the Emergency Board established in HB 5204 (2026) to HECC for immediate distribution to SOU for the purpose of partially addressing a projected operational funding shortfall during FY2027.

Sincerely,

Ben Cannon

Ben Cannon
Executive Director

Attachments:
Report – SOU, Financial Modeling and Operational Plan through June 30, 2027
Report – Financial and Strategic Assessment, SOU Option Path to Sustainability

CC: Amanda Beitel, Legislative Fiscal Office
Kim To, Legislative Fiscal Office
Kate Nass, Department of Administrative Services, Chief Financial Office
Anne Sires, Department of Administrative Services, Chief Financial Office

Southern Oregon University

Financial Modeling and Operational Plan through June 30, 2027

May 11, 2026

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ACCESSIBILITY STATEMENT

Learn more about the Higher Education Coordinating Commission at www.oregon.gov/highered.

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.

PURPOSE OF THE REPORT

This report contains information about Southern Oregon University's financial modeling and its operational plan to continue operations through June 30, 2027 in response to a budget note associated with HB 5204 (2026 regular session). The measure includes a special purpose appropriation to the Emergency Board in the amount of $15 million to be allocated to HECC to address a projected operational funding shortfall for SOU for the 2026-27 fiscal year.

The budget note text:

> *The Higher Education Coordinating Commission (HECC) must report to the Emergency Board no later than June 2026 on Southern Oregon University's updated financial modeling and operational plan to continue through June 30, 2027. Prior to the report, SOU must collaborate with HECC to submit a report to HECC by April 30, 2026, that details the actions the university will take to ensure continued operations through June 30, 2027, including updated financial modeling, endorsed by external budget and accounting experts, demonstrating the institutions' ability to meet all obligations through June 30, 2027. Additionally, beginning May 2026, SOU must provide monthly financial statements, and an updated cash flow forecast to HECC, the Department of Administrative Services Chief Financial Office, and Legislative Fiscal Office, and on a quarterly basis summarize the operational status of the institution and identify any risks affecting contractual commitments and obligations to students.*

This report focuses specifically on assessing SOU's financial modeling and summarizing SOU's operational plan to maintain short-term financial stability throughout FY2027 while a separate report focuses on options for a balanced budget during the 2027-29 biennium, and the long-term future financial sustainability of SOU.

KEY TAKEAWAYS

The financial fragility of SOU has reached an inflection point at which continued solvency will require signficant intervention. SOU has declared exigency, enacted immediate spending restrictitons, and forecasted a potential failure to meet financial obligations by spring 2027. In response, the legislature passed a Special Purpose Appropriation (SPA) of $15 Million for potential distribution by HECC to SOU to assist the university with short-term financial stability. The SPA included a budget note to which this report is a response.

SOU has taken several steps to improve financial reporting. The university is focusing on four areas to ensure the integrity and timeliness of financial reporting. These include resolving the underlying structural issues within SOU's new enterprise-wide software platform to improve data flow and reporting accuracy and implemeting staffing changes to provide expertise and bandwidth. In addition to creating and maintaining a detailed, all-funds cashflow forecast, SOU staff are collaborating with board members to improve budget reporting, to provide robust forecasting tools, and to enhance decision making support.

Three distinct reviews of SOU's cashflow forecasting model and related assumptions were conducted. The all-funds cashflow forecast is the main tool used to determine if SOU can meet all financial obligatons through June 30, 2027. The model was reviewed by external budget and accounting experts who assessed the reasonableness of assumptions used and stress tested the model to determine sensitivity to downside risk. It was concluded SOU staff are using substantially resonable assumptions even as some key assumptions were considered optimistic. Signficant downside risk was noted for the key assumptions related to enrollment and the pace at which Resiliency Plan savings will be realized.

SOU has provided an operational plan with associated financial modeling demonstrating the ability to meet all financial obligations through June 30, 2027. With the distribution of the SPA, the current cashflow forecast shows SOU will end each month during FY2027 with a positive cash balance on an all-funds basis. This means SOU is projected to have the ability to meet all obligations through June 30, 2027, to students, faculty, staff, and vendors alike. This forecast depends on assumptions related to enrollment and administrative execution, as mentioned above.

BACKGROUND

The financial fragility of SOU has been well documented and predates board independence. Details are included in Appendix A. During four of the past five years, SOU's general fund (E&G) budget has experienced a deficit with expenses exceeding available revenue. During that period, spending has grown an average of 4.9% annually while revenue has grown an average of 0.9% annually. As a result, SOU's general fund balance has largely been exhausted. State funding for SOU in the past five years has grown annually by an average of 4.8%. SOU currently receives 26% more state funding per student FTE than the average through the public university support fund. Additional background information can be found in Appendix B.

CURRENT SITUATION

SOU declared financial exigency during the summer of 2025, which lead to the adoption of the Resiliency Plan. On February 3, 2026, SOU enacted immediate spending restrictions following a board meeting during which trustees discussed a cashflow shortage expected to exist as early as summer 2026. During the board meeting held the day before, SOU staff shared a detailed cashflow forecast showing the current expense trajectory, combined with the timing of cash receipts, projects a failure to meet financial obligations by spring 2027 without intervention.

In response, HB 5204, which passed during the 2026 session, includes a Special Purpose Appropriation (SPA) to the Legislature's Emergency Board in the amount of $15 Million for potential distribution by HECC to SOU to assist the university with short-term financial stability. These funds are intended to address SOU's projected FY2027 short-term financial stability.

Further, HB 5204 appropriated $500,000 to the HECC for contracting with an external consultant to support SOU in developing, by April 30, 2026, a financial sustainability plan that details actions SOU will take to ensure solvency through FY2027, that reflects a balanced budget for the 2027-29 biennium, and details how programs and functions may be sustainably delivered by SOU alone, by SOU in partnership with other institutions, or as part of an alternative structure to address long-term sustainability. HECC contracted with Deloitte to support this work. The allocation of the SPA is contingent on HECC submitting a report to the Emergency Board pursuant to the related budget note.

This report, submitted to the Emergency Board in satisfaction of the budget note, focuses specifically on assessing SOU's financial modeling and summarizing SOU's operational plan to maintain short-term financial stability throughout FY2027. A separate report, which will also be submitted to the Emergency Board, focuses on options for a balanced budget during the 2027-29 biennium, and SOU's long-term future financial sustainability.

FINANCIAL MONITORING BY HECC

The HECC has consistently published an annual review of the financial health of Oregon's public universities since 2021 and for the community colleges since 2025. The purpose is to support statewide policy making guided by the goals and mission of public higher education in Oregon. Specifically, the financial monitoring performed by HECC staff seeks to:

- **Provide advance warning** of financial instability for policy makers.
- **Identify potential systematic risks** to Oregon's higher education infrastructure with a particular focus on the education and workforce mission of the institutions.
- **Maintain an awareness** of broader institutional finance trends to inform the HECC's agency request budget (ARB) and related recommendations for the Governor and Legislature.

While there is no singular method perfectly capable of determining the long-term financial sustainability of a higher education institution, HECC uses a simplified approach with a higher likelihood of predicting instability. The metrics used include enrollment, financial ratios, and the dependence on a single revenue source (i.e., state funding). The financial ratio analysis includes the use of the composite financial index (CFI) which combines four ratios into a single score that attempts to quantify the overall financial well-being of the institution.

HECC's approach is based on publicly available financial data in materials prepared by the institution. HECC staff do not have privileged access to financial information at the institutions.

Also, the HECC's preferred approach to assessing financial health, the CFI, does not focus on liquidity, cash position, or cashflow forecasting. This is for several reasons. The most important being the respective authority and roles of the HECC and the institutional governing boards. As the fiduciary, the independent governing boards are responsible for cash management, for revenue sufficiency, and for ensuring financial obligations are settled in a timely manner. This responsibility is often delegated to institutional leadership who typically report quarterly on cash positions and related liquidity. HECC does not attempt to obtain information that would allow it to monitor and independently evaluate these point-in-time issues. Rather, it focuses on an annual report on institutions' overall fiscal health. The most recent version of this report, published in June 2025, characterized SOU as "struggling," with a six-year average CFI of 0.98 that was the lowest among Oregon's public universities.

It should be noted that cashflow (liquidity) forecasting is a tool often used to assess revenue sufficiency for debt service. The universities are obligated by creditors to provide routine cashflow forecasts to demonstrate revenue sufficiency for the purpose of servicing debt. Additionally, under ORS 291.445, the universities are obligated to submit annual attestations to the state documenting their ability to repay debt for state-backed bonds, namely Article XI-F (1) bonds. SOU submitted its most recent attestation to HECC on June 23, 2025.

FINANCIAL MODELING

This section of the report outlines recent work SOU has undertaken to improve existing financial reporting and summarizes the reviews that have occurred to assess SOU's cashflow forecasting. SOU's efforts to improve financial reporting are necessary to address an existing audit deficiency, to enhance transparency, and to support its board's ability to make decisions. Reviews of SOU's cashflow forecasting were performed to assess SOU's ability to meet its financial obligations through June 30, 2027.

CliftonLarsonAllen (CLA) completed SOU's annual audit and single audit report for FY2025 in March 2026. The single audit report identified a deficiency in the timeliness of SOU's financial reporting. This can increase the risk that unusual or unexpected financial activity may not be detected or addressed until late in the financial reporting process or through audit procedures. CLA noted that issuing the audited financial statements near the statutory deadline limits the ability of external users, bondholders, and those charged with governance to perform timely oversight, planning, forecasting, and evaluation of the university's financial position and operating results.

CLA's single audit report additionally noted that SOU's delayed issuance of its financial statement for FY2025 and the volume of audit adjustments were primarily attributable to ongoing challenges associated with the implementation of a new financial and accounting enterprise resource planning (ERP) system (i.e., Workday) in January 2024 that continued through FY2025. Further, CLA noted that budgetary constraints have limited staffing levels within the financial operations team, reducing the university's capacity to manage the increased workload associated with system implementation, reconciliations, and financial reporting. As a result, SOU's finance personnel were required to prioritize daily critical operational activities, contributing to delays in completing the financial close and fully establishing reporting processes within the new ERP environment.

In SOU's management response letter, and at the April Board of Trustees meeting, university staff reported that they have initiated a comprehensive remediation strategy during the current fiscal year to address the root causes of the audit findings. The university is focusing on four areas to ensure the integrity and timeliness of future financial reporting:

- **ERP optimization** – SOU is resolving underlying structural issues within the ERP system to improve data flow and reporting accuracy.
- **Staffing** – SOU has implemented personnel changes and hired a position to provide additional technical expertise and operational bandwidth.
- **Business process review** – SOU is conducting thorough reviews of financial processes associated with the issues identified in the audit.

- **Expert consultation** – SOU is engaging with external consultants to provide specialized support in fully establishing reporting processes and to further optimize the ERP to enhance future reporting.

ENHANCED BUDGET REPORTING

Consistent with board direction, SOU staff revised existing budget reporting for FY2026 to compare before and after the board-adopted Resiliency Plan, to improve efficiency and accuracy, and to support managerial decision making. The intent is to provide past, present, and future states all in one summary view. Staff continue working on several improvements:

- Creating an instant scenario builder to perform "what if" analysis on demand including a dynamic labor model by classification.
- Moving the budget platform online, versus using a series of Microsoft Excel workbooks, to enhance efficiency and reduce the need for manual data input.
- Converting historical Banner financial data into Workday for better projection modeling.

At the April 2026 meeting of the SOU Board of Trustees, university staff provided a FY2026 E&G budget update with projections as of March 31, 2026. Compared to prior versions, an analysis of the impact of the Resiliency Plan was added. Staff noted that services and supplies cost pressures remain elevated for FY2026 and that tuition revenue had declined less than expected. Adjustments totaling $8.8 million in one-time funding were noted, which includes donations and federal employer retention credits. The new format of budget reporting makes it easier for board members to keep track of progress made relative to the Resiliency Plan.

While the inclusion of one-time funding improved the university's projected financial position through FY2027, it should be noted that total spending was projected to exceed total ongoing revenues. That is not sustainable.

CURRENT CASHFLOW FORECAST

The most recent cashflow forecast for SOU, presented to the Board of Trustees on April 17, 2026, shows that throughout FY2027, SOU will end each month with a positive cash balance on an all-funds basis. This means SOU is projected to have the ability to meet all obligations through June 30, 2027, to students, faculty, staff, and vendors alike. This forecast assumes the release of $15M in one-time state funding from the Legislature's Special Purpose Appropriation during FY2027.

Table 1 includes a quarter-by-quarter projection of cash inflows and outflows across the SOU enterprise for FY2027. The key assumptions upon which the forecast is based are outlined following Table 1.

Table 1: All Funds Cashflow Forecast for FY2027, May 7, 2026
(Includes the $15 million SPA)

	Q1, FY2027	Q2, FY2027	Q3, FY2027	Q4, FY2027
Student Payments	15,248,250	15,441,750	14,442,750	5,586,750
Grant Payments	1,200,000	1,200,000	1,200,000	1,200,000
State Funding	25,844,694	7,662,694	7,662,694	5,258,694
Foundation	650,000	650,000	1,400,000	1,750,000
Other Income	1,170,870	1,285,417	1,375,000	1,246,226
Total Receipts	**44,113,814**	**26,239,860**	**26,080,443**	**15,041,670**
Personnel Expense	14,980,171	17,787,019	17,585,166	17,433,418
Services & Supplies	9,227,888	8,550,157	8,685,404	8,299,000
Debt Service – State of Oregon	2,683,783	-	386,033	-
Other Debt Service	464,696	1,189,211	464,696	1,829,211
Other Expenses	135,181	182,558	-	-
Total Cash Paid	**27,491,719**	**28,338,945**	**27,121,299**	**27,561,628**
Beginning Cash	244,661	16,866,755	14,767,670	13,726,815
Ending Cash	**$16,866,755**	**$14,767,670**	**$13,726,815**	**$1,206,857**

Key Assumptions Informing the FY2027 Cashflow Forecast

Enrollment:
The cashflow forecast assumes an enrollment decline of 2.7% in FY2027. This is based primarily on recent trends, adjusted to reflect the strategic enrollment plan adopted this spring by the Board of Trustees. It does not reflect any potential additional impacts associated with recent and highly visible uncertainty about the future of SOU, or the potential impact of academic program closures or consolidations beyond what was already announced in the Resiliency Plan.

SOU staff provided additional details about 2026-27 enrollment projections to the Board of Trustees on April 17, 2026. Staff noted that as of March 29 the university had received 3.2% more Fall applications than at the same time as the prior year and had admitted 2.5% fewer students. Further, staff reported a projected 2.2% decline in the number of weighted student credit hours (SCH) from fall 2026 to fall 2027. They indicated that the decline in SCH could range from as high as 4.3% to as low as 1.7%.

Revenues:

- Net tuition/fee revenue: Reflects the Board-adopted increase in mandatory tuition/fees for 2026-27 of 4.99% with remissions at 14% of gross.
- An uncollected student accounts allowance of 10%.
- A 4.1% growth in state funding (i.e., SSCM/ETSF) due to the 49/51 split of PUSF funding within the 2025-27 biennium and forecasted SSCM distributions for FY2027.
- A projected 2.5% increase in the housing occupancy rate for 2026-2027 (to 85%), with adopted housing rates increasing 3.0% and meal plan rates increasing 3.5%.

Expenses:

- Annual wage increases: Unclassified at 3%. Classified at 4.38%. Faculty at 3%. Student wages at 3.25%.
- Retirement costs: using December 2025 PERS advisory rates.
- Healthcare and OPE: using existing proportional share of wages going forward for both categories.
- Accounts payable disbursements (i.e., services and supplies) increase of 3.5%.

Other:

- Resiliency Plan savings of $2.9 million are included, affecting all funds and all categories of spending (i.e., wages, benefits, S&S).
- The forecast includes the release of the $15 million special purpose appropriation (SPA), with half received in July 2026 and half in October/November 2026.

Many assumptions must be made to create a cashflow forecast. Those assumptions should be assessed for reasonableness using historical experience as a guide, and they should be stress tested under various scenarios to determine their sensitivity to downside risk. Professional judgement is required to ensure the outcome is useful in the support of managerial decision making.

ASSESSMENTS OF SOU'S CASHFLOW FORECASTING

To thoroughly assess the cashflow forecast model used by SOU staff, three distinct reviews were conducted from February 2026 through April 2026. Detailed information for each is included below in chronological order. The various reviews included representation from inside Oregon state government and with outside experts including DAS-CFO staff, HECC staff, UO, OSU, OIT, and CliftonLarsonAllen (CLA).

HECC Staff Review

The SOU Board of Trustees held a special meeting on February 2, 2026, to receive an update on SOU's Resiliency Plan and the university's cashflow projections. Staff offered the Board a detailed analysis of projected cashflows. They concluded that, "while the budget view may show a different financial picture, the cashflow view highlights an urgent operational reality: the current expense trajectory, combined with the timing of receipts, projects a failure to meet financial obligations by the spring of 2027 without intervention."

The cashflow forecast shared by SOU staff during the board meeting showed that the university's minimum cash balance threshold, an internal target set by the university to warn about potential cashflow issues, would be breached as early as May 2026, but that SOU would remain solvent through calendar year 2026. Further, the forecast showed that SOU will likely run out of cash entirely by spring 2027. The forecast predicted a negative cash balance of $10.1 million by the end of June 2027. Board members discussed various options for responding to the projected cashflow deficit.

In response, HECC staff performed a cursory review of SOU's cashflow forecast on February 6, 2026. The review largely focused on an assessment of key assumptions used in the forecast. Overall, HECC staff's evaluation was that the key assumptions seemed reasonable given the historical data and contextual understanding available. HECC staff pointed out that some assumptions were more volatile than others, resulting in an understandable level of uncertainty and suggesting that a more conservative approach might be warranted. Those included assumptions related to employee benefits and state higher education general support funding. More information is in Appendix C.

DAS-led Review

Following the HECC's review, the Governor tasked a team of reviewers to conduct a high-level review of SOU's fiscal picture through June 2027 to help inform policymakers in their consideration of an emerging funding request. The team was chartered by the Oregon Department of Administrative Services (DAS) and included HECC staff and the chief financial officers of UO, OSU, and OIT. The team concluded its work by February 19, 2026.

The team was asked to consider two questions: are the assumptions used in SOU's cashflow forecast substantially reasonable and what amount of funding does the team believe is appropriate for the special purpose appropriation? The team found that SOU staff were using substantially reasonable assumptions in the creation of their forecast but noted that some of the assumptions were on the "optimistic side of reasonable." They noted that fall 2026 enrollment assumptions were subject to significant downside risk.

The team also concluded that based on current forecasting and limited additional stress testing of the assumptions upon which it was based, a $15 million special state appropriation was reasonable along with an additional $5 million reserved for potential enrollment downside risk. Therefore, the team recommended a total Special Purpose Appropriation of $20 million. More details about their work and findings can be found in Appendix D.

Consultant Review

In April, HECC engaged SOU's external auditor, CLA, to evaluate the underlying assumptions used for SOU's financial projections and related cashflow forecast through June 30, 2027. CLA's work focused on documenting and reviewing cashflow drivers and related assumptions to identify risks and external factors that could affect the assumptions. The firm also performed scenario and sensitivity analysis on SOU's cashflow projections to evaluate a range of potential outcomes based on variations in the accuracy of key assumptions.

The CLA team provided several observations regarding SOU's recent (going back to FY2021) cashflow trends. These include:

- **Operating cashflow was structurally negative but stabilized by nonoperating support.** This means the growth in operating expenses (i.e., the cost of faculty and staff to perform instruction and research with related support services) outpaced the growth in operating revenue (i.e., tuition/fees and grants/contracts).
- **State appropriations and one-time cash receipts were subsidizing operating cash shortfalls.** Cash sustainability was not driven by operating margin, but by the continuity and timing of external funding.
- **The receipt of COVID relief funding masked the magnitude of the imbalance.** As pandemic relief tapered off, operating cash pressures became more visible. SOU transitioned from temporary relief-supported liquidity to a more exposed cash position.

In summary, CLA found that SOU's projected cashflow forecast through June 30, 2027 reflects continued constrained liquidity. It was determined that SOU's financial and cashflow models are sophisticated but highly complex and manually maintained. The consultants made the following observations:

- **SOU's cashflow forecast is detailed and technically robust.** It incorporates multiple methodologies, crosswalks, and assumptions.
- **Assumptions are embedded throughout the model rather than centralized.** This provides flexibility but makes it difficult to confirm which assumptions are active at any point in time.
- **Strong enrollment modeling exists**, but the downstream impact of enrollment changes on monthly cashflow, liquidity thresholds, and timing risk is not always explicitly highlighted.
- **The model lacks automation and connectivity to the existing ERP.** The relationship between SOU's core budget and financial tracking/reporting tools and its cashflow model is informal and not automated through a formal bridge.
- **The cashflow model is relatively new and continues to evolve.** Model updates are often driven by reporting deadlines, increasing pressure on staff and limiting time available for broader scenario analysis and documentation.

CLA identified the following areas of sensitivity that could impact projected ending cash balances the most:

- **Enrollment-driven net tuition cash receipts including housing, discounts and collectability.** SOU will need to carefully monitor assumptions related to enrollment, housing occupancy, discounting, and collectability of tuition/fee revenue for their impact on the cashflow forecast. Each one percent reduction in enrollment below the current assumption translates to approximately $500,000 in reduced cashflow during FY2027, while a one percent miss in housing occupancy rates would reduce cashflow by $140,000.
- **Labor and other payroll expenses.** Labor and OPE are the largest cash disbursement drivers and are sensitive to contract negotiations and benefit premium/contribution volatility. The CLA review notes limited consideration of staffing level changes, reliance on a single base month, and layered assumptions that can meaningfully shift outcomes.
- **Vendor disbursements.** Accounts payable disbursements are projected using 26-month historical averages rather than being built up from key vendor contracts and known future contractual commitments. As a result, projected cashflow outcomes may not fully reflect changes in contract terms within new agreements.
- **Model integrity and data quality issues.** Multiple items in the model were flagged for correction and validation. The model lacks automation and connectivity to the existing ERP. This is a known issue that SOU staff are working to address.

OPERATIONAL PLAN FOR FY2027

SOU has implemented a rigorous review process for any expense that exceeds $1,000. Travel must be approved by the supervising vice president. They have also implemented a hiring freeze but are allowing critical positions to be filled. Vice president-level approval is required for any new hires and are allowed only to address operational requirements. These strict internal cost control measures are small part of a larger crisis management strategy.

SOU recently received a $7.4 million employee retention credit from federal COVID-era funds and holds a $4 million internally restricted reserve from the sale of surplus properties. Together with the $15 million state Special Purpose Appropriation, these one-time funds – along with intense cost control efforts – will be required to keep the doors open through FY2027.

It is expected the SOU board will adopt the FY2027 budget at its June 2026 meeting. The FY2027 budget will be developed in a manner consistent with the emerging Financial Sustainability Plan. Variables include tuition revenue, financial aid strategies, and the cost of key vendor contracts; each could impact the operating budget. As SOU staff monitor spending and begin implementing the Financial Sustainability Plan, the pace of implementation may increase and/or additional cost controls may be implemented to achieve the cash flow and budget targets necessary to maintain operations.

Contingency planning. The margin for error is razor thin. If fall 2026 enrollment drops and cash balances dip further, SOU will be forced to immediately expedite the Financial Sustainability Plan's recommendations or look to other opportunities including staffing furloughs or an absolute hiring freeze, to take the necessary steps to remain solvent.

MONTHLY FINANCIAL STATEMENTS

Beginning May 2026, SOU is directed to provide monthly financial statements including an updated cashflow forecast to HECC, DAS-CFO, and LFO. Also, on a quarterly basis, SOU must summarize the operational status of the institution and identify any risks affecting contractual commitments and obligations to students.

The exact timing of monthly submissions will depend on the timing of the prior month's close but is expected to occur in the third week of the month. For example, the May submission will likely occur in the third week of May.

HECC staff expect SOU's monthly submissions to include the following:

- An E&G budget update including FY2026 actuals, FY2027 projected/actuals, and FY2028 projected. The budget will include revenues, expenses, net fund transfers, operating margin, and ending fund balance.
- An all-funds budget update including FY2026 actuals, FY2027 projected/actuals, and FY2028 projected. The budget will include revenues, expenses, net fund transfers, operating margin, and ending fund balance.
- An all-funds cashflow forecast through June 30, 2027 including cash receipts, cash disbursements, and ending cash balance.

Additionally, HECC staff expect SOU to update and articulate key assumptions used within the cashflow forecast, with related contingency planning, to ensure SOU can continue to meet all financial obligations throughout FY2027. At a minimum, SOU will explain how projections about the following have been incorporated into the cashflow forecast model:

- Fall, winter, and spring enrollment.
- First-year, and overall, student retention rates.
- Housing occupancy rate.
- Tuition and other revenue.
- Savings realized from the board-adopted Resiliency Plan.
- Operating expense inflation including wages, benefits, S&S.

- Key vendor payments.
- The operating deficit from auxiliary activities.

APPENDICES

APPENDIX A – HISTORICAL CONTEXT

The chronological entries below are from public reports, meetings, and related documents.

- **Retrenchment.** The president of SOU announced the need for retrenchment in November 2013. SOU entered retrenchment beginning in 2014-15 because of a low fund balance at the close of FY 2014. The intent of retrenchment was to build the fund balance and ensure financial viability, to grow overall enrollment, to improve retention rates, to increase the average class size and reduce low enrolled courses, and to manage efficiencies and accountability of faculty assignments.

- **State Board of Higher Education (SBHE) Conditions.** In May 2014, conditions were agreed to by SOU, SBHE, and the Governor to establish an independent board of trustees at SOU. As noted in a letter to SOU from the HECC dated January 14, 2016, "the conditions were established because of the long-term financial weakness at SOU. The SBHE saw the weakness as a persistent, and not transitory, condition of the institution."

  As part of the conditions, three reviews were required culminating in a comprehensive report to be developed by the institution and submitted to the HECC by December 2017. HECC was to then make a determination as to whether the institution demonstrates a clear focus and durable niche that supports the long-term viability of the institution.

  At its April 2018 meeting, the Commission determined that SOU had taken considerable steps to strengthen its institutional focus/niche, stabilize enrollment and completion, improve financial management, and ensure long-term fiscal viability. The Commission noted that while SOU had failed to meet one of the three financial ratio targets established in the conditions, the trend lines were positive. After considerable analysis, including detailed stress-testing, it was concluded that SOU had built sufficient reserves to ensure solvency over at least the next five years even under considerably less positive scenarios than forecasted.

- **The financial metrics section of the 2017 university evaluation for SOU** completed in December 2017 shows the four key financial ratios both with and without the impact of pension and OPEB liabilities. All but one ratio measured below the acceptable benchmark. The data results in an adjusted composite financial index (CFI) of 2.24, which removes the impact of pension and OPEB liabilities. This is well below the generally acceptable threshold for financial health of 3.0.

- **The financial health assessment section of the 2019 university evaluation for SOU** as presented to the Commission in February 2020 reported an adjusted CFI of 1.17 for FY2019. HECC staff noted that, "Overall, SOU faces a challenging financial future with limited flexibility. Given declining enrollment and increasing expenses, the need remains clear to further reengineer the institution to identify opportunities while preserving academic quality. Hopefully the current proposed 4% cut in spending and Presidential Task Force on Financial Sustainability will allow SOU to make some much needed headway."

- **Takeaways from the HECC's annual financial condition/financial sustainability reports,** in which HECC staff report on financial monitoring efforts, documented the deteriorating condition of SOU's finances. These reports are presented to the Commission during public meetings.
  - **2021** – The adjusted CFI for SOU was reported as 0.78 in FY2020. HECC staff noted that, "overall, SOU faces a challenging financial future. Given declining enrollment and increasing expenses, the need remains clear to further reengineer the institution to identify opportunities while preserving academic quality."
  - **2022** – The adjusted CFI was reported as 3.11 for FY2021.
  - **2023** – The adjusted CFI was reported as negative 0.02 for FY2022. HECC staff noted, "SOU's leaders and campus community are addressing an undeniable truth: the current fiscal path is unsustainable. As stewards of the university and with a directive from the SOU Board of Trustees to address the issues that have caused an ongoing structural deficit, university academic and administrative leaders developed SOU Forward. This is a four-plank realignment strategy to stabilize campus-wide operations by focusing on financial viability and strategic growth to meet the academic needs of future students, the region, and state." The SOU Forward plan included strategies around cost management, the pursuit of additional grants, improved philanthropy, and revenue diversification.
  - **2024** – SOU was listed as struggling for enrollment and financial ratios. Data in various report tables showed that enrollment had dropped more than 7% in the previous two years, the operating margin was negative for three years running, the primary reserve was 33%, and the viability ratio was 0.8.
  - **2025** – SOU was identified as struggling based on its composite financial index (CFI) of 1.27 in FY2024. Its six-year average was 0.98, the lowest of all the public universities. Suggested board strategies included in the report for that range of CFI was to "consider substantive programmatic adjustments and re-engineer the institution."

APPENDIX B – BACKGROUND INFORMATION ON SOU

Enrollment over time is the most visible sign of an institution's financial health. As shown in Table A, SOU's fall fourth week student FTE has declined 27% in the past decade, an average of 3.4% annually. Headcount enrollment increased 1.5% between fall 2024 and fall 2025, from 5,129 to 5,206.

Table A: Fall Fourth Week, Total FTE

	Fall 2016	Fall 2025	Variance		Annual Growth Rate
SOU	4,293	3,150	(1,143)	(27%)	(3.4%)
All Oregon Public Universities	83,159	82,154	(1,005)	(1%)	(0.1%)

Table B provides a summary of the five-year trend in the general (E&G) fund based on survey data submitted to the HECC annually. During four of the past five years, SOU has generated a negative operating margin with expenses exceeding available revenue. During the period noted, expenses have grown an average of 4.9% annually while revenues have grown an average of 0.9% annually. As a result, SOU's general fund balance has been exhausted. State funding during that time has grown annually by an average of 4.8%.

Table B: Trend in General (E&G) Fund

	FY2021	FY2022	FY2023	FY2024	FY2025
Total Revenue	61,080,824	61,643,005	62,326,625	63,955,651	63,250,786
Total Expenses	58,367,204	62,551,754	65,603,154	67,123,934	70,547,413
Operating Margin	2,713,620	(908,749)	(3,276,529)	(3,168,283)	(7,296,627)
	4%	(1%)	(5%)	(5%)	(12%)
% State Revenue	39%	42%	43%	43%	45%
Fund Balance (months)	1.5	1.3	0.7	0.3	(1.1)

Over a longer period, from FY2017 through FY2025, spending has grown on average annually by 2.6% while revenues have grown on average annually by 0.9%. State funding grew annually by 3.7%. SOU experienced a negative operating margin in six of those nine years and is expected to do so for the current budget year as well.

Table C shows the growth in state funding per fundable student FTE over time for all the public universities based on HECC staff calculations. This is for funding distributed through the public university support fund (PUSF) only. SOU receives 26% more state funding per student FTE than the statewide average.

Table C: State Funding per Fundable FTE

University	FY2015	FY2024	Total Change	Annual Change
EOU	8,297	14,759	78%	6.6%
OIT	9,030	13,533	50%	4.6%
OSU	5,034	8,611	71%	6.1%
PSU	3,646	9,678	165%	11.5%
SOU	5,833	11,482	97%	7.8%
UO	3,948	6,981	77%	6.5%
WOU	4,518	10,802	139%	10.2%
Total	**$4,659**	**$9,121**	**96%**	**7.7%**

Table D provides a summary of the recent trend in staffing using information from the Higher Education Employees Annual Report published by HECC in November 2025. Over this period the number of SOU employees declined at a slower rate than enrollment, lowering the student-to-employee ratio. There is no accepted standard or best practice measure for this ratio; however, a lower student-to-employee ratio can create structural cost inefficiencies.

Table D: Trend in Staffing

	2019	2020	2021	2022	2023	Variance (2019 to 2023)
Student FTE	4,031.0	3,500.7	3,329.6	3,286.1	3,291.6	(18%)
Employee FTE	616.1	569.6	562.4	570.2	558.4	(9%)
Faculty FTE	223.7	205.2	200.2	194.4	183.0	(18%)
Student-to-Faculty	**18.0**	**17.1**	**16.6**	**16.9**	**18.0**	**0%**
Student-to-Staff	**6.5**	**6.1**	**5.9**	**5.8**	**5.9**	**(10%)**

Degree productivity, which accounts for enrollment and expressed as completions per 1,000 student FTE, is a different metric than a degree completion rate. It is an attempt to assess cost effectiveness. Table E shows the trend in degree productivity over time using data from the HECC Public University Data Dashboard. The completions per 1,000 FTE metric is calculated by dividing the number of student completions by the number of student FTE and then multiplying by 1,000.

Another way to assess cost efficiency is to consider what is being produced relative to spending. Therefore, Table E also includes E&G spending per completion. Total E&G expenses are divided by the number of degree completions. The spending data is unadjusted for inflation and comes from an annual survey conducted by HECC staff.

Table E: Trend in Efficiency Ratios

	2019-20 FY2020	**2020-21 FY2021**	**2021-22 FY2022**	**2022-23 FY2023**	**2023-24 FY2024**	**Variance (2020 to 2024)**
Annual Student FTE	4,075.7	3,650.7	3,508.5	3,462.5	3,430.1	(16%)
Degree Completions	1,235.0	1,194.0	1,053.0	962.0	1,270.0	3%
Completions per 1,000 FTE	**303.0**	**327.1**	**300.1**	**277.8**	**370.3**	**22%**
Total E&G Expenses	$64.4M	$58.4M	$62.6M	$65.6M	$65.7M	2%
Spending per Completion	**$52,119**	**$48,884**	**$59,403**	**$68,195**	**$51,705**	**(1%)**

APPENDIX C – HECC STAFF REVIEW

HECC Staff performed a cursory review of SOU's cash flow forecast on February 6, 2026. The information below includes a summary of the forecast and an evaluation of the key assumptions supporting the forecast.

- The forecast begins in February 2026 with $24.3M in available cash. The forecast continues through June 2029 (i.e., end of FY2029 and the 2027-29 biennium).
- The board's minimum threshold is breached as early as July 2026. The forecast shows SOU remains solvent throughout calendar year 2026.
- During FY2027, SOU is forecasted to remain solvent until the last month of the fiscal year. Cashflow insolvency will be reached as early as May 2027. A negative cash balance is forecasted for the end of June 2027 in the amount of $10.1M.
- This suggests external funding of $10M is sufficient to get SOU through the 2025-27 biennium. However, it is possible that spending changes made earlier in the year could impact that amount.
- A negative cash balance is forecasted for the end of June 2029 in the amount of $41M.

Key Assumptions
Enrollment: declines of 2.7% for 2027 and 2% annually thereafter. However, the impact of the recently adopted board adopted strategic enrollment plan are included.

Revenues:

- Tuition: increases of 5% per year. Remissions at 10% of gross T&F.
- Uncollected student accounts allowance of 10%.
- Annual increase in state funding (i.e., SSCM/ETSF) of 4.1%. Annual growth of 1% for lottery funding.
- Housing occupancy increasing from 83% in 2026 to 90% in 2029 with housing rates increasing 2.5% annually.

Expenses:

- Annual wage increases: Unclassified of 3%, then 1%. Classified at DAS rates (plus steps) then average. Faculty targeted at 3%. Student wages at 3.25%.
- Retirement costs: using December 2025 PERS advisory rates.
- Healthcare and OPE: using existing proportion of wages going forward for both categories.

Other:

- Resiliency Plan savings through FY2029 totaling $8.6M included. All funds and all categories of spending (i.e., wages, benefits, S&S).

- The forecast includes the use of both land sale cash ($4.0M) and housing related fiduciary funds ($8.7M) as needed. These funds are currently reserved/restricted by the board.

Assessment of Key Assumptions
Overall, the key assumptions seem reasonable. There's a question about which are more volatile (i.e., less reliable) than others. For example, PERS contributions have been volatile year-to-year in the past which may make reasonable assumptions much more challenging. Also, HECC staff pointed out some minor quibbles noted below, but it is not expected they will substantially change the conclusions of the forecast.

A more conservative approach for employee benefits may be in order. It might be more reasonable to assume PEBB healthcare contributions will increase slightly in the future years due to federal policy uncertainty. Also, PERS contribution rates may increase slightly depending upon fund return assumptions made by PERS.

The assumption for future state funding at a roughly 4.1% annual increase is not entirely without merit. It has been growing annually at 4.8% for SOU in the past five years; but has been growing at a rate of only 3.7% over the longer term (i.e., over the past decade). The experience in the next few years may be closer to that.

APPENDIX D – DAS REVIEW TEAM

The objective of the DAS review team was to Conduct a high-level, initial review of SOU's fiscal picture through June 2027. This includes reviewing previously prepared budget documents, cash flow projections, supporting financial documents, and understanding underlying assumptions around projected revenues and expenditures. The intent is for the initial review to be complete by Thursday, February 19, 2026, to help inform policy makers of the potential SPA amount. An extended review may be needed to inform the distribution of funding to SOU for the May E-Board.

- Initial Review – Complete by Thursday 2/19.
    - Receive financial materials in excel for review of last 3 years of revenue/expense statements and current/next year cash flow projections and budget documents along with any assumption documents.
    - Review and assess reasonableness of assumptions
    - Report initial thoughts on assumptions

- This review is not intended to:
    - be an audit or formal review of financial projections,
    - include recommendations to revise projections,
    - be a legal or regulatory compliance review.

The team was asked to answer two questions.

Does the review team believe the assumptions are substantially reasonable?
Yes. SOU staff are creating a reasonable cashflow forecast. Based on information available to the team and detailed conversations with SOU staff, the key assumptions are determined to be substantially reasonable with three caveats. The caveats relate to restricted debt service funding, overall optimism of assumptions, and significant enrollment downside risk.

- The forecast includes the planned use of $8.7 million in restricted funding intended to serve as a debt service reserve for the recently completed SOU public-private partnership housing on campus. The team is concerned about the use of this funding for general E&G fund purposes. If this funding is used for purposes other than housing debt service, it is possible this could trigger contractual liabilities (e.g. acceleration of debt repayment). A deeper legal review of these issues is recommended.
- The cash flow forecast includes a number of important assumptions in addition to enrollment, such as state appropriation, housing occupancy levels, future salary increases, etc. While the figures used seem reasonable, it was noted that they are all probably on the "optimistic side of reasonable," meaning that there is downside risk that these factors do not all emerge as predicted.
- Of particular note, the forecast includes a 2.7% projected decline in enrollment for next academic year and then 2% annual declines thereafter. This is not wholly unreasonable; however, significant downside risk remains due to changing

student demand caused by increasing reputational risk, as well as the closure of programs and planned reduction of fee remission (scholarship) awards. Initial team modeling, using additional data provided by SOU staff, suggests the magnitude of that risk could be at least $3 – 5 million in the near term, and would compound over time.

What amount of funding does the team think is appropriate for the Special Purpose Appropriation (SPA)?

Based on current forecasting and limited additional modeling, the team believes $15 million is reasonable with an additional $5 million reserved for potential enrollment downside risk. This results in a recommended SPA of $20 million appropriated for the 2025-27 biennium.

The team raised some concerns. The team's work focused on assessing the reasonableness of near-term forecasts, not on fully diagnosing or resolving the institution's underlying structural issues. Within this context, the team expressed significant reservations about the next steps. Should the state provide short-term solvency funding through the current biennium, it will not address longstanding structural imbalances that have contributed to current SOU's financial situation. These challenges predate the current review and will not be resolved through one-time solvency funding. Without fundamental changes to enrollment strategy, program alignment, cost structure, and long-term economic positioning, the financial challenges facing SOU will compound over time.

The proposed SPA would stabilize cash flow through FY2027; however, absent significant structural adjustments, SOU is projected to face renewed cash shortfalls as early as July 2027. In this sense, the proposed funding delays, but does not eliminate, the risk of continued financial distress.

Team membership:

- Stacey Chase, Policy and Budget Analyst, DAS
- Sione Filimoehala, Policy and Budget Analyst, DAS
- Jim Pinkard, Director, Office of Postsecondary Finance & Capital, HECC
- Jamie Moffitt, Senior VP for Finance & Administration, UO
- Carla Ho'a, VP for Finance & Administration, OSU
- John Harman, Senior VP for Finance & Administration, OIT

SOU Cashflow Forecast Summary

- The forecast begins in February 2026 with $24.3M in available cash. The forecast continues through June 2029 (i.e., end of FY2029 and the 2027-29 biennium).
- The board's minimum threshold is breeched as early as July 2026. The forecast shows SOU remains solvent throughout calendar year 2026.
- During FY2027, SOU is forecasted to remain solvent until the fourth quarter of the fiscal year. Cashflow insolvency will be reached as early as May 2027. A

negative cash balance is forecasted for the end of June 2027 in the amount of $9.5M.

- A negative cash balance is forecasted for the end of June 2029 in the amount of $52M.

Key Assumptions
Enrollment: declines of 2.7% for 2027 and 2% annually thereafter. The impact of the recent board adopted strategic enrollment plan is included.

Revenues:

- Tuition: increases of 5% per year. Remissions at 14% of gross T&F.
- Uncollected student accounts allowance of 10%. Uncollectable student tuition and fees is based on recent collection efforts that have shown to have been successful in collecting 90% of first-year student accounts receivable.
- Annual increase in state funding (i.e., SSCM/ETSF) of 4%. Annual growth of 1% for lottery funding.
- Housing occupancy increasing from 83% in 2026 to 90% in 2029 with housing rates increasing 2.5% annually. Housing rate increases and occupancy based on historical trends.

Expenses:

- Annual wage increases: Unclassified of 3% for next two years, then 1%. SEIU and APSOU are included as reasonable assumptions to negotiated rates: Classified at DAS rates (plus steps) then average. Faculty targeted at 3%. Student wages at 3.25% annual increase.
- Retirement costs: using December 2025 PERS advisory rates.
- Healthcare and OPE: using existing proportion of wages going forward for both categories. SOU has seen a lower liability for new employees joining with the difference covering the increases in rates.
- Contract inflation of 3.51% annually.

Other:

- Resiliency Plan savings through FY2029 totaling $8.6M included. All funds and all categories of spending (i.e., wages, benefits, S&S).
- The forecast includes the use of both land sale cash ($4.0M) and housing related fiduciary funds ($8.7M) as needed. These funds are currently reserved/restricted by the board.

HIGHER EDUCATION COORDINATING COMMISSION

3225 25th Street SE, Salem, OR 97302
www.oregon.gov/HigherEd

Financial and Strategic Assessment

SOU Option Path to Sustainability

May 4, 2026

Southern OREGON UNIVERSITY | Deloitte.

Document Purpose and Context

The following materials have been prepared for Southern Oregon University (SOU) at the request of the Higher Education Coordinating Commission (HECC) to provide SOU options to consider as the University charts a path to sustainability by June 30, 2027.

The acute revenue pressures on SOU are not unique in today's higher education landscape but rather, the result of a widespread demographic shift and declining trust in the value of higher education. Over the past several years, the University has taken action to address these pressures, including making difficult budget cuts on two occasions.

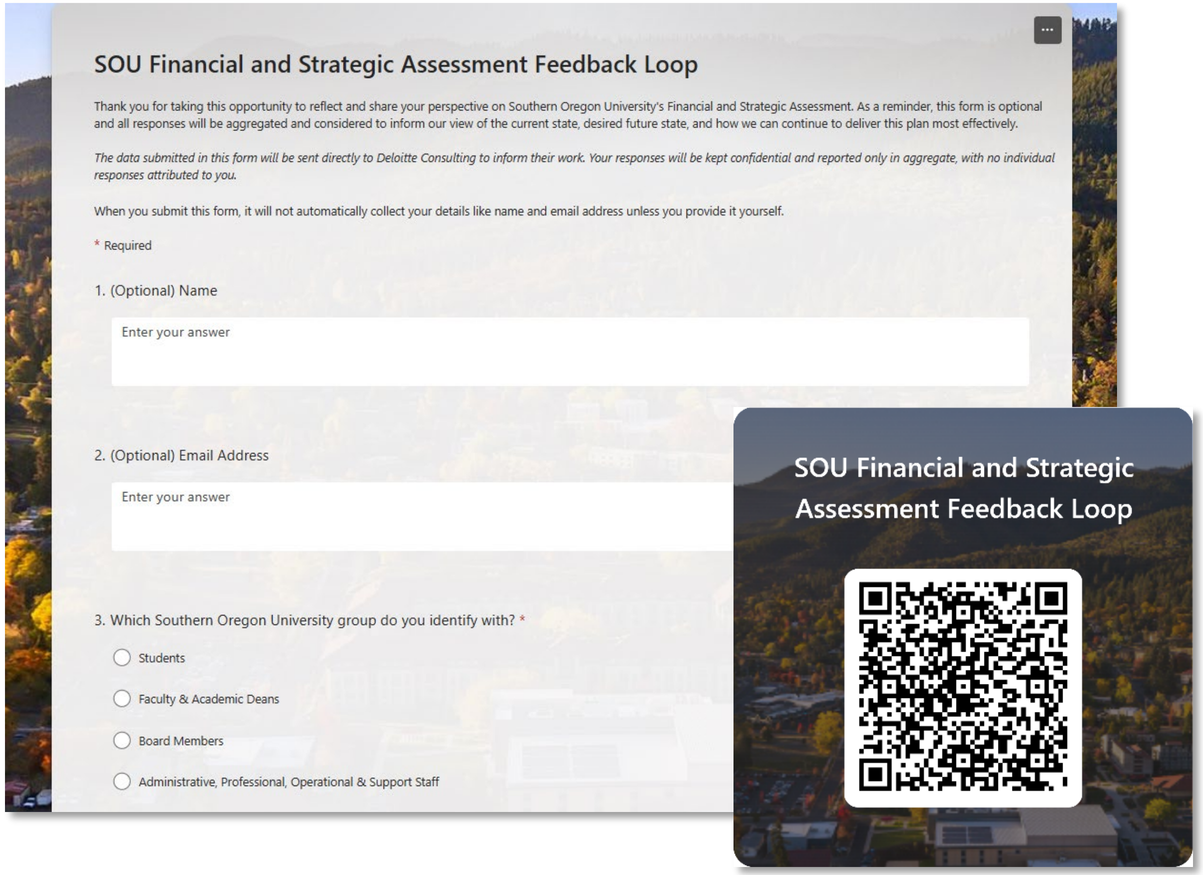
SOU is now collaborating with HECC to develop a plan for the continued delivery of higher education in Southern Oregon. This includes a balanced budget for the 2027-29 biennium and a path to future financial stability without reliance on ongoing state emergency support ($15M appropriated for FY 2027).

The strategic options presented here are for the consideration of the SOU Board and SOU's Executive Leadership Team. They have been developed with the University's input and data, as well as the understanding that SOU leadership and the Board will determine the right path forward for the University.

Community Feedback

Deloitte hosted 14 focus groups and launched an “always on” feedback loop for input.

Feedback Loop


SOU Financial and Strategic Assessment Feedback Loop

Thank you for taking this opportunity to reflect and share your perspective on Southern Oregon University's Financial and Strategic Assessment. As a reminder, this form is optional and all responses will be aggregated and considered to inform our view of the current state, desired future state, and how we can continue to deliver this plan most effectively.

The data submitted in this form will be sent directly to Deloitte Consulting to inform their work. Your responses will be kept confidential and reported only in aggregate, with no individual responses attributed to you.

When you submit this form, it will not automatically collect your details like name and email address unless you provide it yourself.

* Required

1. (Optional) Name

Enter your answer

2. (Optional) Email Address

Enter your answer

3. Which Southern Oregon University group do you identify with? *

- Students
- Faculty & Academic Deans
- Board Members
- Administrative, Professional, Operational & Support Staff

750+ responses from students, faculty, community, Board members, and staff

Focus Groups

Fourteen in-person and virtual focus groups and interviews held with 50+ participants, including:

- **Students**
- **School/College Chairs**
- **Cabinet Members and Deans**
- **Faculty Senate**
- **Staff Assembly**
- **Community, Business, and Government Leaders**

Governance Structure and Decision Framework

In addition to hosting focus groups and ad hoc meetings with functional and academic leads, Deloitte met weekly with the Executive Committee and Project Team to discuss options for consideration.

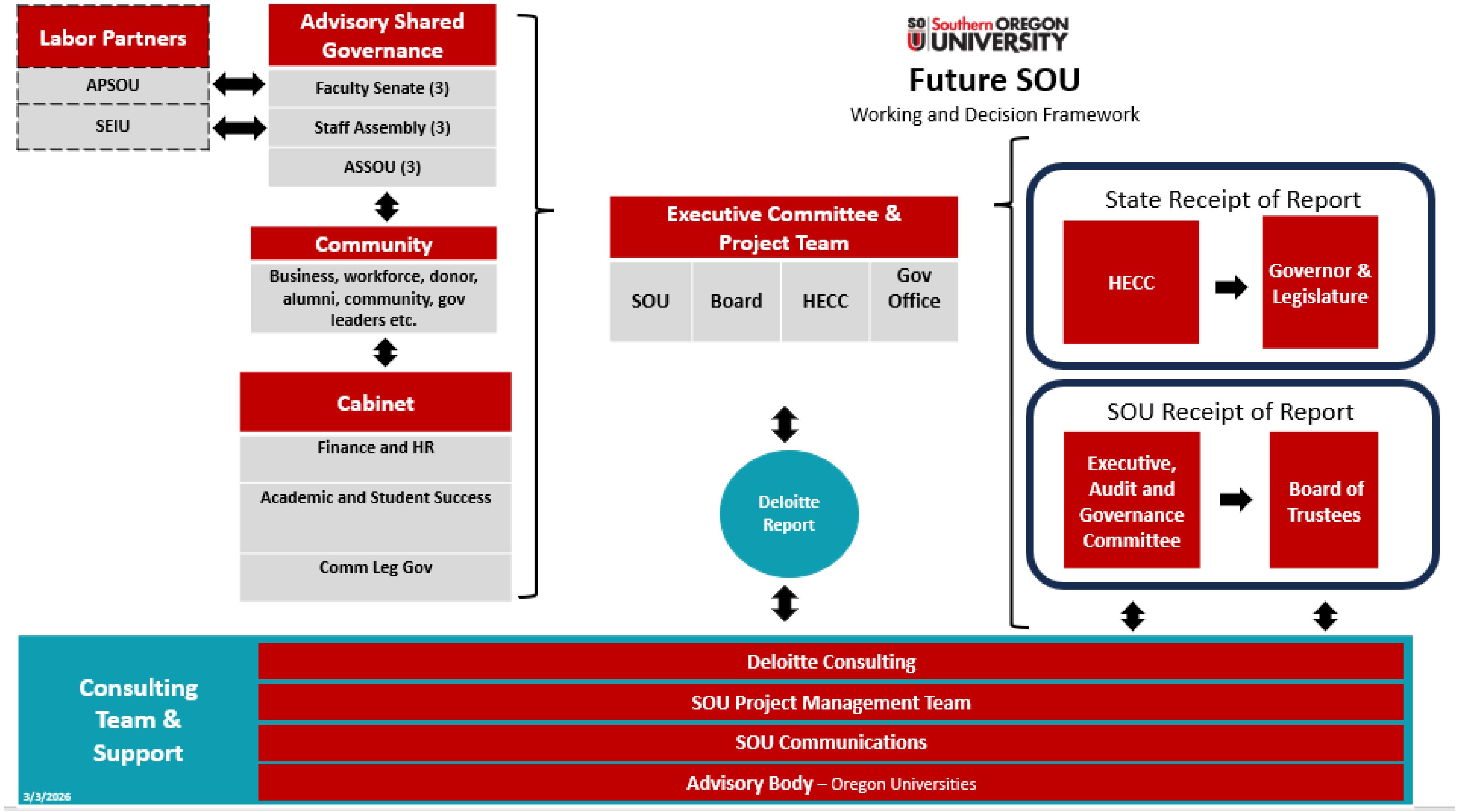


Table of Contents

Environmental Context

Environmental Context | *Higher Education*

Regional Universities Are Under Pressure

- **Enrollment is shifting**, not simply shrinking. Regional public universities face a demographic slope in traditional-age students, but that is being partly offset by growth in adult learners, online/hybrid demand, dual enrollment, and community-college transfer pipelines.
- **Workforce relevance and public trust now define competitive advantage.** Regional public universities are increasingly valued for economic mobility, employer alignment, and career-ready programs. They have an opportunity to communicate this value more effectively to lawmakers and the public.
- **Student demographics are more diverse and more mission-critical.** Regional public universities serve more first-generation, Pell-eligible, rural, veteran, and diverse students, which strengthens their access mission but also raises the need for support services and retention strategies.
- Affordability remains critical to the value proposition, but it is under pressure. Across the nation, **regional public universities are still among the most affordable four-year options**, yet cost remains a major barrier for students, especially as state disinvestment has shifted more burden to students and families.

SO | Southern OREGON UNIVERSITY

Higher Ed is Experiencing Unprecedented Change & Emerging Threats

Recent years have brought unforeseen challenges that not only threaten the financial and operational efficiency of many institutions, but also their very existence.

DEEP DIVE

'We can't cut anymore': Can colleges recover from the gut-punch of inflation?

Cost growth in higher ed is easing after big spikes in recent years. But institutions remain under steep financial pressure.

Published July 1, 2024

The New York Times Magazine

Americans Are Losing Faith in the Value of College. Whose Fault Is That?

For most people, the new economics of higher ed make going to college a risky bet.

ADMINISTRATION

Princeton Braces for Budget Cuts, Possible Layoffs

Permanent cuts of 5% to 10% will be implemented over the next three years, according to a memo sent to faculty and staff

Denise Applewhite / Princeton University

The Mercury News · 12d

California higher education layoffs: UC, Stanford and Cal State universities cut, freeze jobs

Stanford University will lay off at least 363 employees this fall as part of $140 million in budget cuts due to rising costs ...

NEWS & CULTURE › EDUCATION

A Looming 'Demographic Cliff': Fewer College Students and Ultimately Fewer Graduates

August 22, 2024

Report Finds Higher Ed Sector Shrank by 2%

Data from the National Center for Education Statistics shows that nearly 100 institutions closed between the 2022–23 and 2023–24 academic years.

By Josh Moody

February 22, 2024

More Than Half of Recent 4-Year College Grads Underemployed

A new report found that many recent graduates don't land jobs that require a degree.

LEADERSHIP › CAREERS

3 Reasons Degree-Free Jobs Are On The Rise—And How To Land One

By Mark C. Perna, Contributor. Mark C. Perna is a generational expert who c...

Follow Author

Published Feb 06, 2024, 06:00pm EST

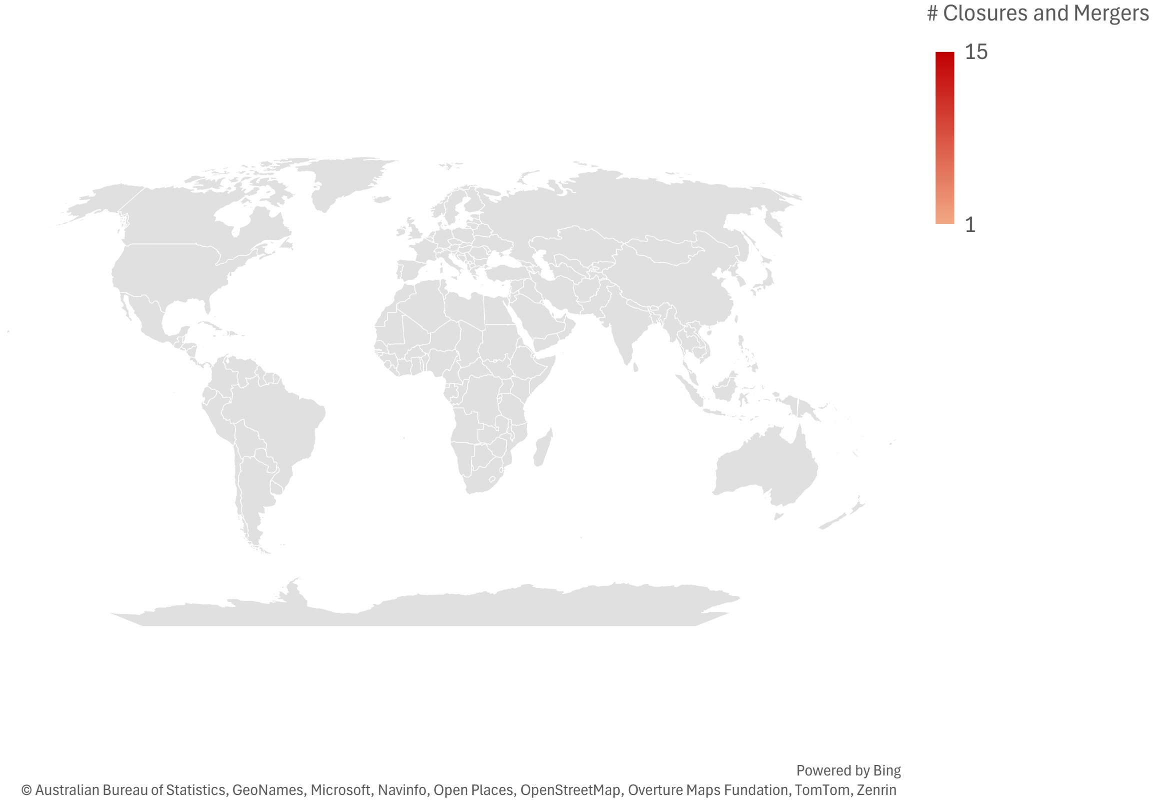
The higher education operating model is under threat. Demographic shifts and rising costs to educate students are challenging revenues, placing pressure on institutions' top and bottom lines.

Closures & Mergers Demonstrate Increasing Instability

The challenges facing higher education are leading more colleges and universities to close or merge with other institutions.

College Closures & Mergers by State[1,2,3]

Nearly 150 institutions of higher education announced closures or mergers[2] from 2016-2025.



Additional At Risk Institutions[4]

Beyond these known closures/mergers, nearly 1,800 institutions are at risk of *"potential closure or consolidation in the next few years,"* according to analyses[3] **conducted in 2020**

568 schools categorized as at **Serious risk**

658 schools noted as having **Some Risk Factors**

545 schools noted as **Stable with Emerging Risk Factors**

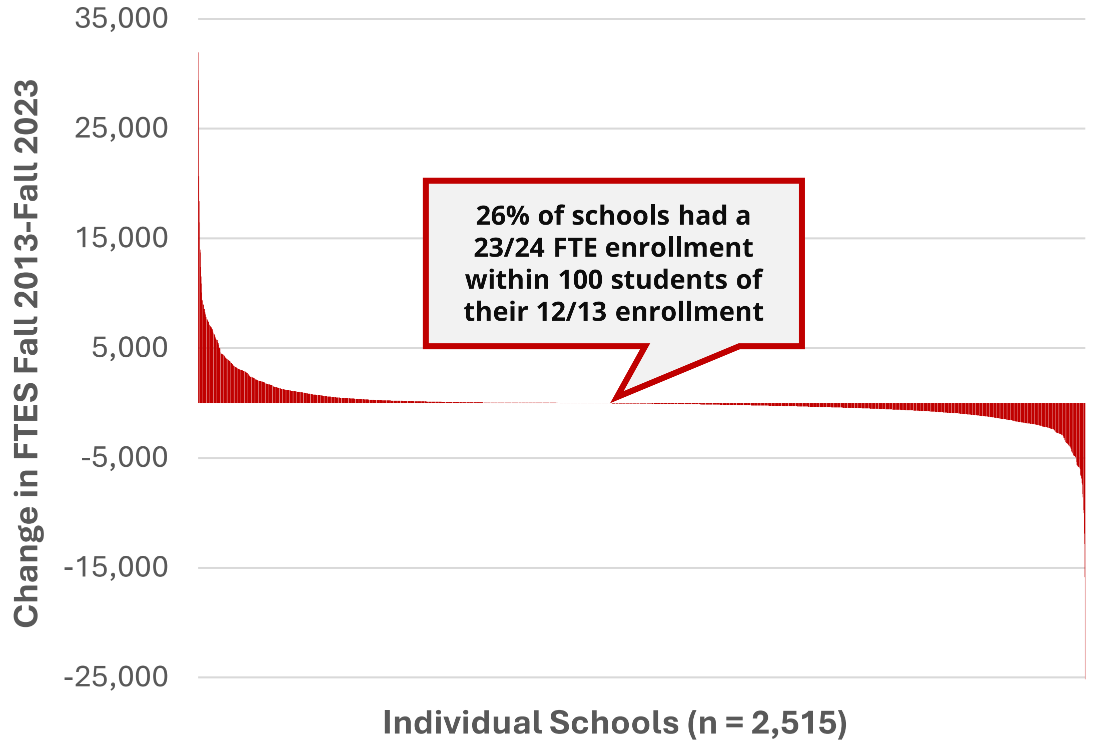
Given that **challenges facing higher education have only worsened** since this assessment was conducted**,** early studies anticipate **even more schools are at risk of closure today.**

Sources:
1) HigherEdDive - College Closings and Mergers by State
2) The number of college closures and mergers as in the above map are cumulative over time, starting from 2016 and running to present
3) Best Colleges – Mapping College Closures
4) Research: The Geography of Possible Campus Closures

Institutions Will Struggle to Solve This Crisis through Enrollment

A very small percentage of institutions are responsible for an outsized amount of enrollment growth at four-year schools, creating a wider gulf between the "haves" and the "have-nots."

1.6% of Schools Are Responsible for Over 1/3 of FTE Growth[1,2]



Minor Change Overall

- The number of FTEs at four-year schools remained relatively flat, **growing on average by only 1%** from Fall 2013 to Fall 2023 (excluding "mega" institutions).
- Roughly **60% of schools** were either flat or lost FTEs over the period.

R1s Are More Insulated[3]

- Schools with a Carnegie Classification of Very High Research Activity accounted for **35% of FTE growth.**
- While 60% of all four-year schools shrunk, just **15% of Very High Research schools did.**

Notes: 1) Includes four-year schools, excluding Mega institutions and schools that did not appear in the starting and ending years of the analysis period; Sources: 2) National Center for Education Statistics IPEDS Tables drvef2023 and drvef2013; 3) National Center for Education Statistics IPDEDS table hd2023 was used to determine Carnegie Classification.

SOU Today

Environmental Context | *Southern Oregon University*

Environmental Context

- SOU has a strong regional identity with connections to local arts and culture, especially its long-standing partnership with the Oregon Shakespeare Festival.
- SOU's mission is community-centered. The institution focuses on opportunities to serve as a partner to the Rogue Valley through local business and organizational relationships and efforts that build regional capacity and strengthen collaboration.
- SOU has seen a **consistent decline in student headcount over the last five years**. **SOU's top five programs account for roughly 56% of student headcount**. Even as enrollment has declined and programs have been reduced, SOU still offers a significant number of academic programs that serve a very small number of students.
- SOU faces increasing financial pressure, driven primarily by declining operating revenues and growing operating expenses that have put pressure on liquidity and the balance sheet.
- From AY21–22 to AY25–26, **total SOU employee FTE decreased almost 11%**, driven by a steeper reduction in faculty FTE (~15%) than non-faculty (~9%), and with declines concentrated in non-tenured and classified staff.
- Emergency funding from the legislature and cost restructuring offers SOU a narrow path to shift the operating model to a sustainable base. With a sustainable base in place, SOU will have the opportunity to invest in growth areas to maintain a thriving institution, in service to regional learners and the needs of Oregon.

SOU's Core Strengths

As a four-year institution in the Rogue Valley, Southern Oregon University is focused on the success of its students. This includes promoting intellectual growth, continuous improvement, excellence, innovation, and creativity, while providing core learning experiences in a rural setting. Looking ahead, SOU has an opportunity to reimagine how it advances the priorities of its students, workforce, and region.

Strong Sense of Mission and Place

SOU is deeply embedded in its region, with strong ties to the local community

Deep Faculty and Staff Care

Faculty and staff establish and maintain strong relationships with students

Inclusive Culture

SOU offers a nationally recognized sense of belonging for students

Education for All

SOU has pride in serving students who may not have attended college if not for SOU

Philanthropic Support

SOU benefits from generous community support from donors who believe in the institution

Experiential Learning

SOU offers opportunities for students to participate in experiential and community-based learning

Reciprocal Community Benefits

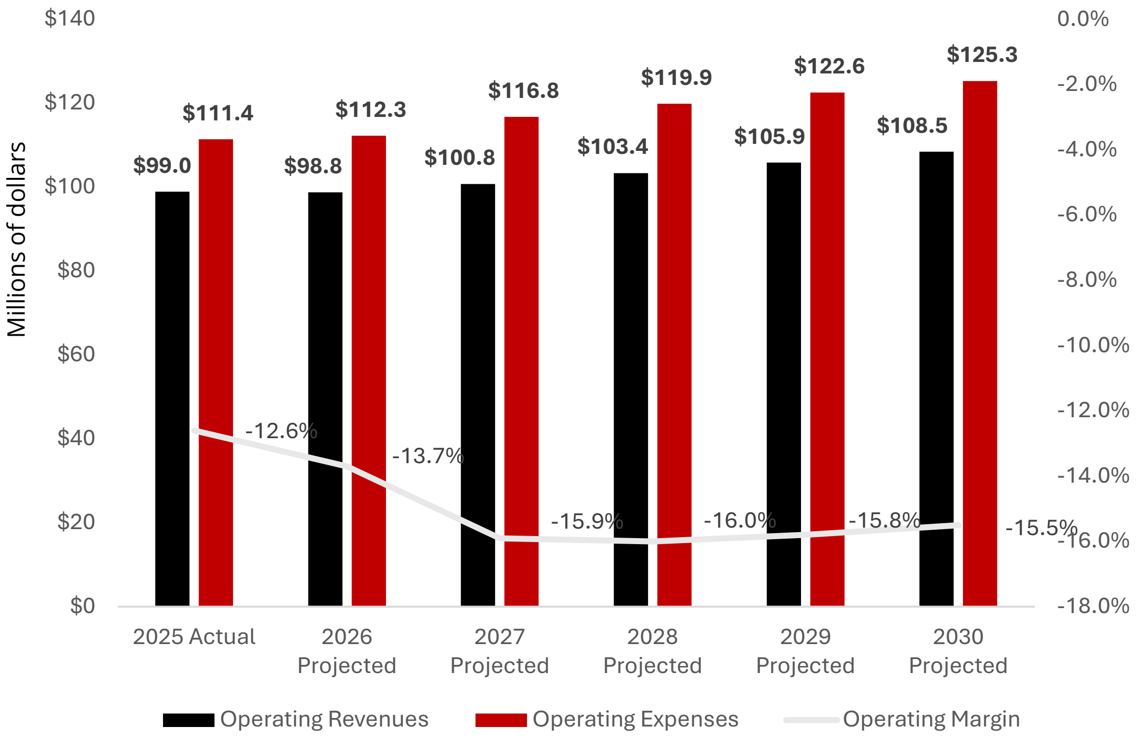
SOU serves the region and is cited as a reason for residents to move to the area

SOU's Financial Position Is Distressed and Will Persist without Action

The university has a structural deficit due to rising expenses and enrollment declines that have put pressure on tuition and fee revenue.

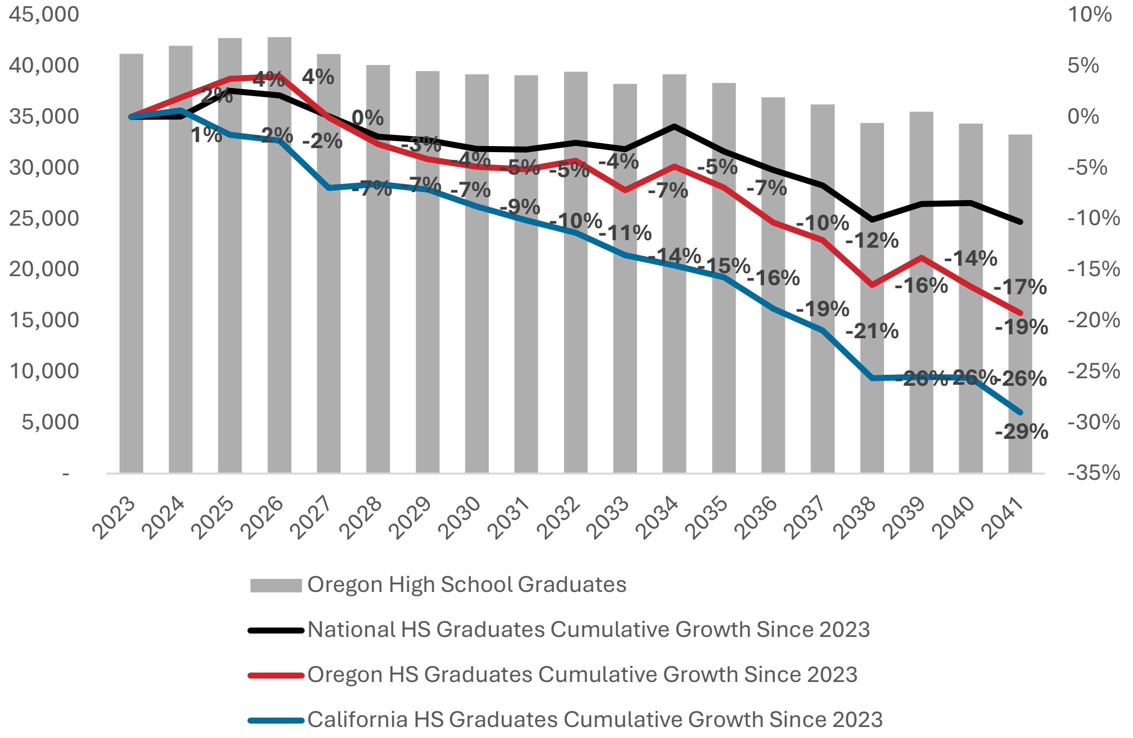
SOU Operating Revenue and Expense Forecast (All Funds)

SOU currently operates at a deficit of $12.5M. The deficit is expected to grow to $16.9M in FY30.*



Cumulative % Change in High School Graduates through 2041

Financial challenges will not resolve themselves. The pipeline of traditional high school graduates in Oregon and California will shrink precipitously over the next 15 years.

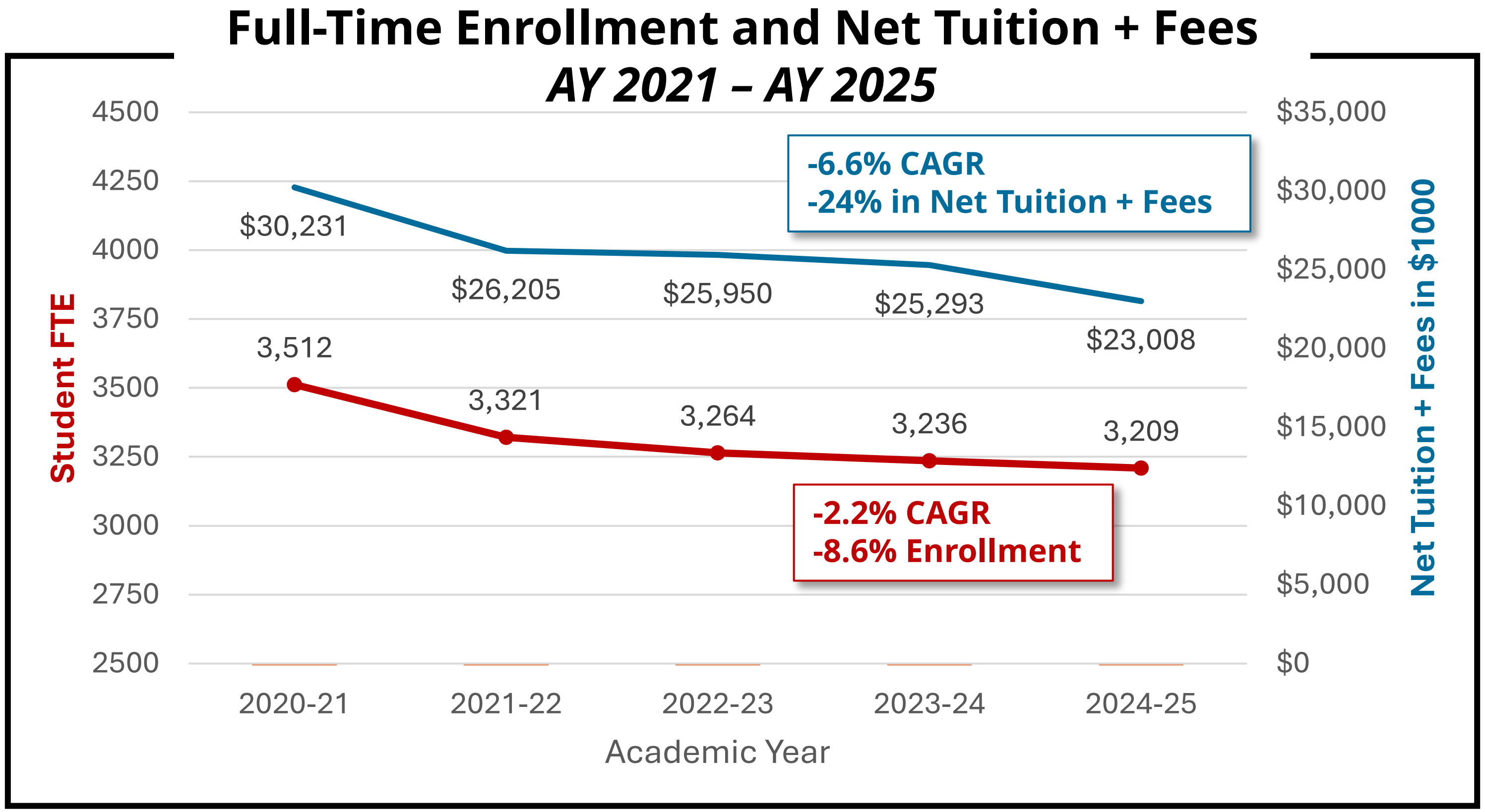


*Totals may not foot due to rounding

Source: FY25 Income Statement Transactions 2026-02-28.xlsx / Budget Master Model (as of 02.19.2026).xlsx / https://www.wiche.edu/knocking/data-visualizations/graduates/

A Shrinking Student Base Has Eroded SOU Tuition Revenue

SOU's full-time enrollment is down 8.6% since AY21 and net tuition revenue is down 24% between FY21 and FY25.



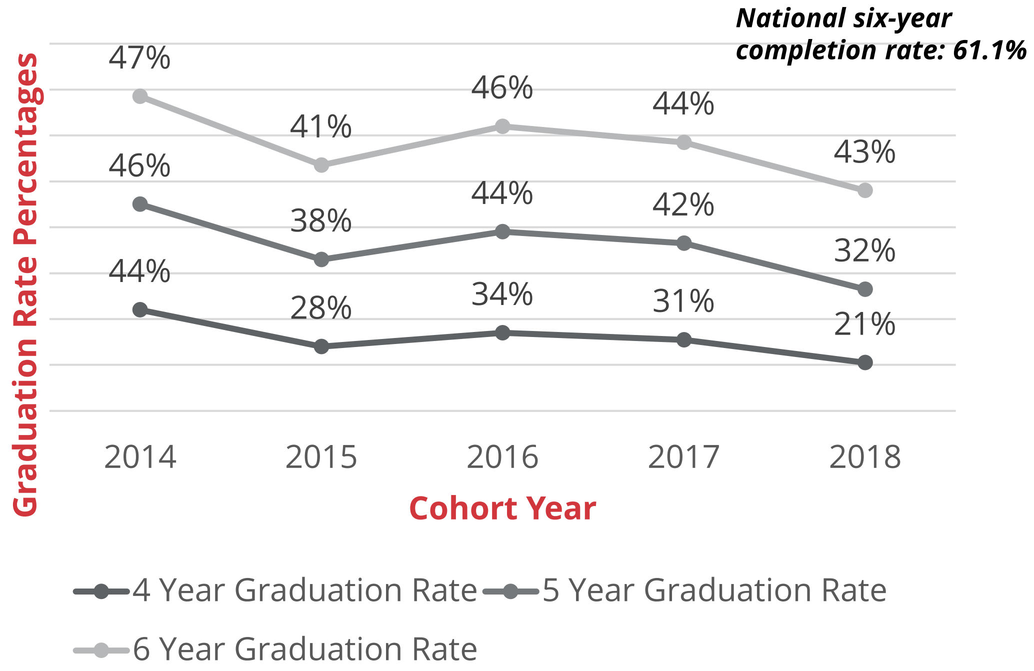
SOU has seen a consistent decline in student headcount over the last five years.

Source: HECC Fall 2025 Oregon Public Institution Enrollment, CFI
Template from HLC Southern Oregon

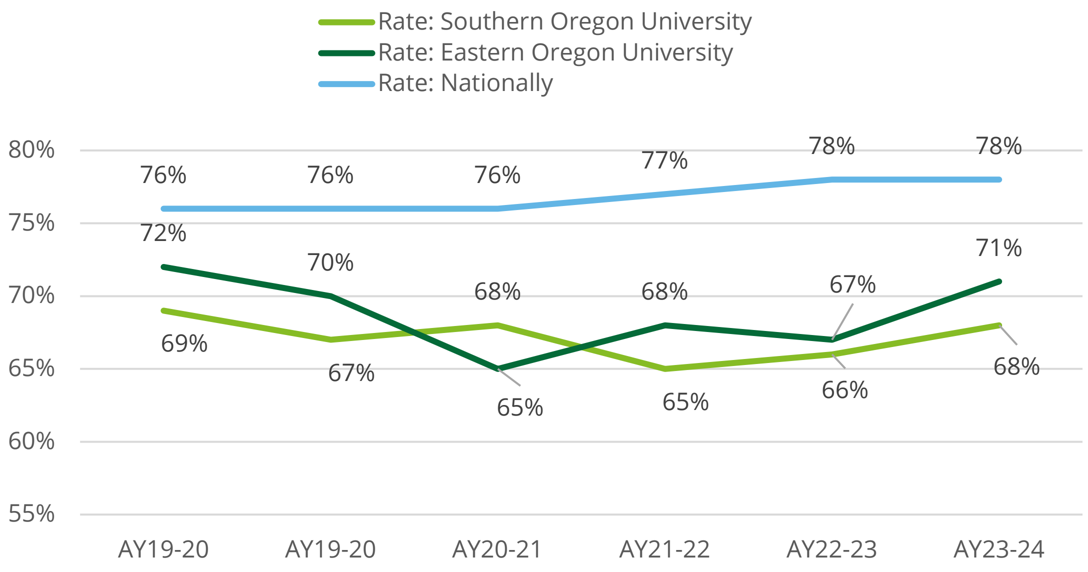
Graduation and Retention Rates Impact SOU Tuition & State Funding

The Student Success and Completion Model (SSCM) is used to allocate funding appropriated in the Public University Support Fund to public universities. There are three funding components: mission support, activities-based funding, and outcomes-based funding. **Outcomes-based funding distributes funding for degree and certificate completion by Oregon residents, averaged over a three-year period.**

SOU Cohort Graduation Rate 2014-2018



First-Time Freshman Retention Rate



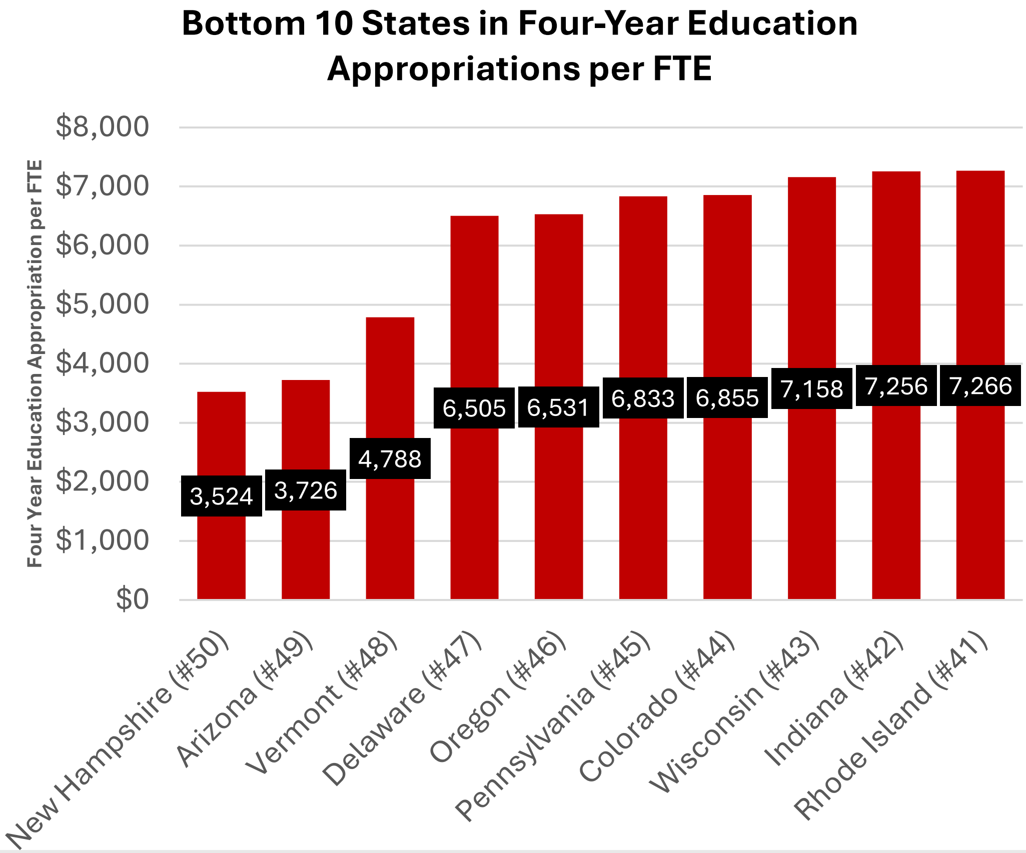
Given the state's funding model, SOU does not receive outcomes-based funding for students who do not graduate. Declining retention negatively impacts revenues from both incoming student tuition and the state funding model.

Source: IPEDS, HECC, SOU Office of Institutional Research, NCES, National Student Clearinghouse

Draft & Confidential – For Discussion Only

Regional Pressures Are Intensifying

Rising living costs are making postsecondary education more difficult to afford. Oregon continues to rank low in state funding per student, and enrollment pressure has increased competition across public institutions.



SOU faces additional challenges in the region

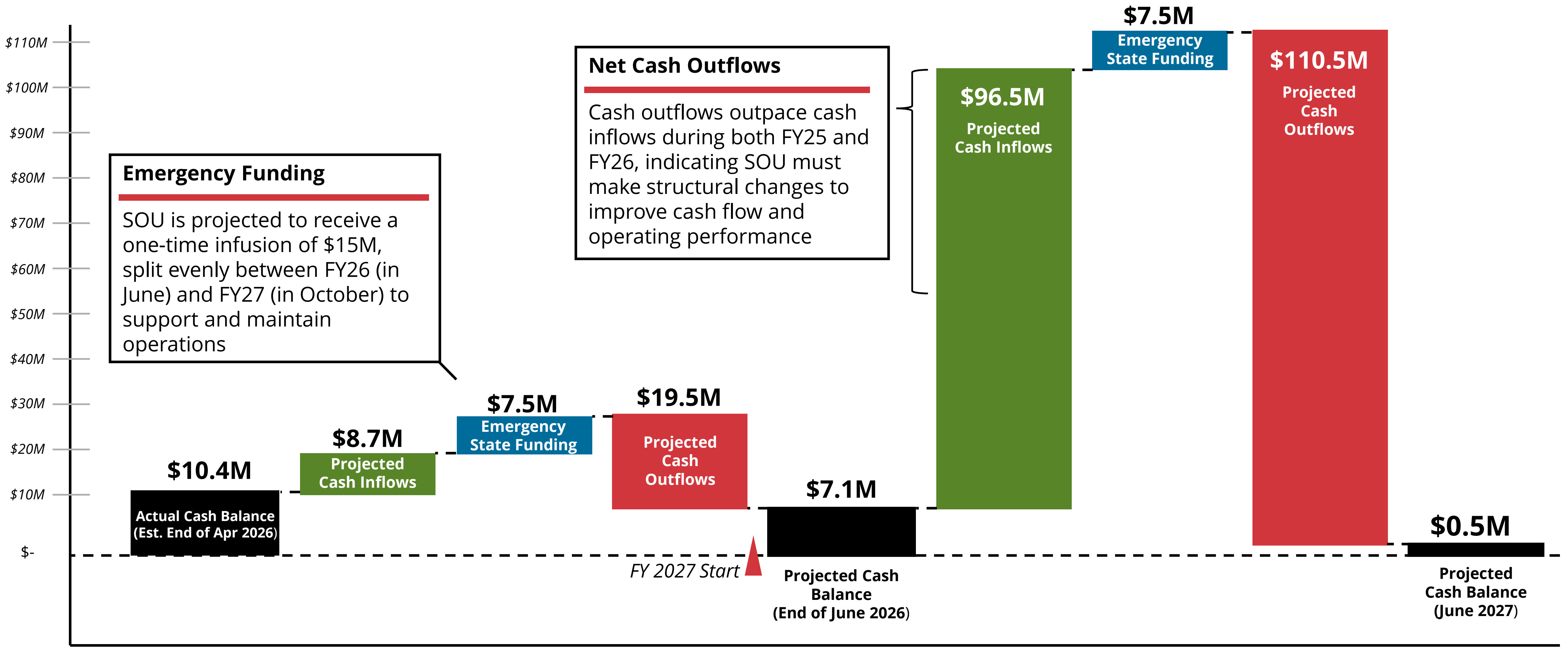
- **Oregon is 46th in four-year education appropriations per student FTE**
- **Declining enrollment has put substantial pressure on financial sustainability and has resulted in increased competition among state schools**
- **Rising costs of living impacts Oregonians' ability to pursue postsecondary education**

SOU must navigate its future within a state model that provides limited funding support, even as institutions across Oregon actively compete for a smaller and more price-sensitive student pool.

Source: HECC State Funding and Formula Summary; SHEEO

SOU Must Act Decisively in the Near Term to Preserve the Future

Emergency funding will help SOU maintain operations through FY 2027. However, to address the structural, operational, and financial challenges that are driving negative net cash outflows, **SOU will need to achieve $20M in expense savings and new revenues to continue to meet its obligations.**



Source: FY2026-2029 Cash Flow Projections (4.1.26) – FLAT VERSION.xlsx

Southern OREGON UNIVERSITY

SOU's Alignment to Local Workforce Demand

Top high-wage high-demand occupations in Rogue Valley by projected 2034 total openings

	Occupation Title	Total Openings	Competitive Education	2025 Median Wages
Current SOU Offering	General and Operations Managers	2,148	Bachelor's	$85,613
	Registered Nurses*	1,735	Bachelor's	$115,003
	First-Line Supervisors of Office and Administrative Support Workers	780	Associate's	$66,498
	Managers, All Other	739	Bachelor's	$109,450
	Elementary School Teachers, Except Special Education	731	Master's	$63,294
	Exercise Trainers and Group Fitness Instructors	713	Post-Secondary Training Non-Degree (PSND)	$50,814
	Business Operations Specialists, All Other	708	Bachelor's	$64,958
	Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	653	Associate's	$59,738
	Sales Representatives of Services, Except Advertising, Insurance, Financial Services, and Travel	584	PSND	$60,382
	Accountants and Auditors	572	Bachelors'	$78,707
Not Offered	Heavy and Tractor-Trailer Truck Drivers	2,011	PSND	$59,446
	Construction Laborers	1,135	GED Equivalent	$49,878
	Maintenance and Repair Workers, General	991	PSND	$49,982
	Carpenters	933	PSND	$58,573
	Real Estate Sales Agents	811	PSND	$54,371
	First-Line Supervisors of Production and Operating Workers	651	Bachelor's	$66,498
	Bus Drivers, School	624	GED Equivalent	$62,587
	Electricians	596	PSND	$82,597
	Medical Secretaries and Administrative Assistants	1,405	PSND	$49,691

Nursing programs at SOU are offered in partnership with Oregon Health & Science University (OHSU) School of Nursing

Source: Oregon Employment Department, Workforce and Economic Research Division, Rogue Valley High-Wage and High-Demand Occupations, 2024-2034.

Key Takeaways

Rogue Valley Demand

- 35% of the 18,520 projected high-wage, high-demand openings in Rogue Valley require a Bachelor's or above.
- The occupational groups with the highest demand are:
  1) Management Occupations
  2) Construction & Extraction Occupations
  3) Transportation & Material Moving Occupations
  4) Office & Administrative Support Occupations
  5) Sales & Related Occupations.

SOU Workforce Preparation Strengths

- SOU offers a relevant credential (at or above the competitive education level) for 50% of the openings among the top 20 occupations.

High SOU Alignment	Credential
Business	BA, BS, MBA, Certificate (CT)
Education	MSEd, MA, BA, BS, (CT)
Healthcare	BA/BS* (CT)

The Path Forward

The Path Forward | *Stabilize & Evolve*

Stabilization & Evolution Considerations

Given the short runway SOU has, with a legislative mandate to attain a balanced budget by June 30, 2027, the path forward will include **two simultaneous efforts:**

1. **Rapidly align expenses to revenues over the next year** and build a cash balance over time to cover emergency needs and unexpected events.
2. **Strengthen and build identity around a core set of programs while expanding the learner base.** This includes adult learners seeking short-term credentials of value and high school graduates seeking alternative degree modalities that align to working professionals needs.

The Path Forward | *Stabilize & Evolve*

The Hallmarks of the Future SOU Are…

- A set of **Academic Programs that align to the skills and experiences students will need in the future to meet local and regional employers' needs.** Programs are concentrated across business, education, creative industries, and health and human services, with a streamlined set of gen ed requirements offered on a consistent and diverse schedule to accommodate the time today's learners have available to complete their coursework.
- Courses within programs are not static. **Ongoing, two-way communication with local businesses informs coursework**, which evolves with the needs of the community. Business connections also feed into experiential learning, internships, and earn and learn programs. **An innovation fund provides release time for faculty to pilot new courses**; adoption of these new courses should be measured, so that they can adapt as necessary to meet the needs of students and the community.
- **Programs align to student career paths, with credit for work related to their major that they engage in during their time of study.** An academic program that blends paid, experiential learning opportunities for students helps students afford their coursework.
- **A student body that is primarily comprised of traditional learners who sign up for a three- to four- year residential, campus-based experience.** Students work with faculty and advisors from day one to align career goals to coursework (which may evolve over the course of their study) and ensure they have a path of study that aligns to their own graduation timeline. Predictive analytics alert advisors when students need help, spotting patterns of behavior and potential for academic risk so that effective, personalized interventions can be provided in real-time. Courses are offered on schedules that enable each student to complete their path on time.
- Campus activities that drive belonging and create communities for students. Students participate in campus life, with student programs and a **set of athletic programs that include both NAIA sports and club sports**.
- **Support for students who predominantly live off campus and are focused on what they need to achieve from their course of study.** These students take classes alongside SOU's traditional learners and rely on programs that accommodate individuals with full-time jobs and other commitments, such as caring for families. These students look for robust academic to career advising that is available when they need it, and an academic portfolio at SOU that evolves to meet changing employer needs in real time.
- Recruitment focused on the local region. Admissions staff are in the local high schools to support students' understanding of the costs and opportunities of programs. **Admissions staff provide support to students applying for financial aid and assist them in understanding how to put together a program of study that leads to a career. The cost of an SOU degree must be transparent to students.**

Future of SOU

The future model builds on institutional strengths, maintains core offerings, and adds more flexible pathways connected to workforce and community needs.

What does SOU look like in four years?

SOU's Students

Traditional College Students
SOU remains a primarily residential campus, with a focus on recruiting students who are looking for an immersive, residential experience

Local Adult Learners
SOU expands focus to explicitly serve learners in the community who are looking for options to upskill and/or gain skills though shorter credentials of value, aligned to SOU's core focus areas

SOU's Programs

Continuing Core Existing Programs
SOU consolidates some courses to form new majors and streamline degree requirements to offer clear, targeted paths to a degree

Agile Programs for Learners in the Community
SOU adapts programs and offerings as learner and local needs change

SOU's Partnerships

Employers
SOU increases focus on employer partnerships to offer internships, integrating learning and work for credit

Oregon Institutions
SOU develops integrated pathways to offer courses that students may want that are not offered at SOU; administrative partnerships provide scale for operations

Regional College-Age Learners Support Core Enrollment Strategy

A local pool of 13,000 college-age learners suggests that while the number of high school students will continue to decline, SOU has a meaningful opportunity to reinforce its residential and commuter student base through sharper market focus and clearer value pathways.

13,000+

Potential college-age learners across six Rogue Valley zip codes*

Local Pipeline Opportunity:

- A sizable population of college-age learners lives within the broader region, indicating room to strengthen SOU's position with traditional-age students close to home

Targeted Value Proposition:

- Succeeding in this market will likely require clear academic value, affordability, student support, and a focus on providing programs that meet students' evolving expectations of higher education

Partnerships Can Expand Reach:

- Stronger connections with nearby schools, counselors, and community partners can improve awareness, yield, and readiness for enrollment

*Zip codes include 97501, 97502, 97504, 97526, 97527, & 97535.

Regional Adult Learners Expand Enrollment Opportunities

The adult learner market presents a targeted, workforce-aligned growth opportunity in the Rogue Valley.

11,000+

Potential adult learners across six Rogue Valley zip codes*

Adult Learner Profile:

- Ages 25–45, with household income of $75K–$249K

Regional Labor Demand:

- The Rogue Valley anticipates approximately more than 18,000 projected high-wage, high-demand openings through 2034. While only 38% require a Bachelor's degree or above, there are opportunities to work with employers to identify credentials of value to help employees and job seekers develop relevant skills and capabilities

Strong Near-Term Opportunity:

- Bachelor's degree completers
- Certificates/shorter-form credentials in workforce-relevant fields
- Career pathways in business, healthcare, and education, where SOU is already aligned

*Zip codes include 97501, 97502, 97504, 97526, 97527, & 97535.

Action Plan | *Immediate-Term Stabilization Opportunities*

The following categories present opportunities to preserve the student experience by taking practical steps to better align costs, revenues, and operations.

Student Retention & Completion
Keep current students enrolled and progressing to graduation

Academic Focus
Narrow programs and concentrations while preserving the programming for 78% of SOU's current student body

Partnership-Based Cost Reduction
Consider university and local partnerships for back-office, campus, and student services to reduce costs

Fundraising & Community Support
Boost philanthropic and local support

Revenue Optimization
Centralize and improve tuition discounting strategy

Stabilize Auxiliary Units
Pursue self-sufficient operations to avoid drawing on core E&G funds

Operational Discipline
Consider temporary controls on hiring, purchasing, and pay growth

Benefits
Work with the State to explore opportunities to change the benefits structure to reduce overhead costs

Utilize Space
Look for community partners to rent space on campus to bring in supplemental revenue

Near-term stabilization depends on improving retention, increasing support, using partnerships strategically, and tightening operations while preserving the core student experience.

Action Plan | *Medium-Term Priorities for Growth*

Longer-term success will require simpler degree paths, flexible credentials, stronger pipelines, and targeted enrollment growth.

Academic Model

Streamline degree pathways
- Refine course sequencing and delivery across programs
- Simplify and create focused degree maps and move average course size toward 22

Build flexible, stackable credentials
- Add shorter-term credentials of value that build toward a degree
- Align offerings to adult learners' needs and local employers' demands

Expand adult-friendly delivery
- Shift modality and timing to fit working adults' schedules
- Increase evening, online, hybrid, accelerated, and other flexible formats

Enrollment Pathways

Launch early-commitment pathways
- Implement pre-admit and plan models with clear milestones
- Make cost and time-to-degree more predictable for students

Re-engage stop-outs
- Run targeted comeback campaigns and credit audits
- Offer short on-ramps and reinstatement pathways to support re-enrollment

Strengthen transfer pipelines
- Grow transfers through community college and inter-campus partnerships
- Build clearer credit crosswalks and stronger articulation agreements

Growth Engines

Focus growth & pricing strategy
- Prioritize growth segments and manage tuition discounting carefully
- Set annual targets and track performance against them

Create completion-first options
- Offer "finish what you started" degrees with focused degree maps
- Expand credit for prior learning and noncredit-to-credit conversion pathways

Deepen workforce-connected offerings
- Partner with employers and workforce boards to build steady cohorts
- Launch rapid-response credentials of value and explore select accelerated pathways

The medium-term goal is not just to reduce pressure, but to redesign the University around clearer pathways, flexible learning, and stronger regional demand.

SOU Path Forward | Academics

Future SOU | *Academics*

Academic Considerations

- SOU's academic programs have been grounded in the liberal arts tradition, offering students a range of programs with a focus on residential, immersive education.
- *Not including institutional overhead (e.g., central administration costs),* analysis of academic units' FY2025 direct margins[1] per student credit hour (SCH) generated highlights that **10 out of 24 units operated with negative margins** *(count of 24 academic units excludes 2 units, Healthcare Administration and International Studies – see footnote below for rationale)*
- Furthermore, **most SOU programs are shrinking. Only four out of 26 academic units[2] increased student headcount from 2020 to 2025…** if programs continue to contract, the loss of scale may drive further academic units to negative direct operating margins
- Headcount is concentrated in large programs. In '24-'25, **the three largest academic units, Business, Education, and Psychology, comprised 45% of student headcount**, and the top 10 programs accounted for 78% of headcount.
- As SOU considers a program array that is sustainable, within the revenue sources that support its programs and in service to the state and the local community, **an ongoing focus on courses and programs that are in-demand from students, support the workforce needs of the local community and state, and provide operating margins that sustain the university will offer a more stable path forward in which revenues and expenses are in balance.**

1) 'Direct margin' calculation overview and additional methodology notes are included on slides 31 and 32
2) Includes only academic units that recorded >0 student majors in AY2025. Given coursework for degree programs in the Healthcare Administration and International Studies academic units is primarily comprised of courses (and therefore, SCH and tuition revenue generation) *outside* those two academic units, these were included in the assessment of headcount change but *not* in the direct margin analysis

Multifactor Analyses of Academics Highlight Potential Opportunities

Through a four-part multifactor assessment of existing academic offerings, SOU can identify areas to improve the efficiency of academic delivery, as well as areas where it may be necessary to close academic units and associated programs. Through streamlined academic offerings, cost savings will help balance revenues and expenses and build a more stable foundation for future growth.

Financial Considerations

Given resource constraints, financial considerations will be critical when evaluating the academic array

Context Considerations

Beyond purely financial considerations, it is critical to evaluate market trends and organizational fit

Operational Efficiency and Outputs

What is the cost of academic programming?

Financial Contributions to the Institution

What impact do the academic units have on the institution's overall financial performance?

Alignment to Local Needs and Labor Trends

How do SOU's academic trends align to local market demands?

Alignment to Organizational Mission

How do academic programs align to SOU's future?

Holistic analysis across these factors will enable SOU to ascertain, by academic unit, whether to implement operational efficiencies and where academic units may need to be closed.

*'SOU regular classes analyzed only

UPDATED: Analysis of Margin by Academic Unit

Academic Unit[1]	AY2024 – 2025 Total UG & GR SCH[2]	# Students Majoring in Degree Programs[3]	Faculty Salary, Wages & Benefits per SCH[4]	Estimated Total OpEx per SCH[5]	Operating Revenues per SCH[6]	Direct Margin (loss) per SCH[7]
Business Administration	15,750	696	$153	$226	$364	$138
Education	12,412	482	$194	$309	$470	$161
Psychology	9,572	355	$149	$187	$259	$72
Theatre	6,644	187	$195	$327	$267	**($60)**
Health & Exercise Science	5,490	184	$146	$188	$281	$92
Biology	4,808	168	$152	$224	$296	$71
Comms., Media & Cinema	8,355	164	$133	$197	$296	$99
Criminology & Criminal Justice	4,741	160	$158	$201	$237	$36
Emerging Media & Digital Arts	2,772	132	$200	$272	$266	**($6)**
Env. Sci., Policy & Sustainability	3,400	91	$208	$259	$310	$50
Art & Art History	5,061	83	$148	$235	$201	**($34)**
Outdoor Adventure Leadership	2,326	82	$242	$391	$293	**($98)**
Computer Science	2,556	76	$264	$320	$387	$67
History & Political Science[8]	2,049	74	$215	$214	$436	$222
English Studies	1,794	66	$310	$358	$416	$58
Music	3,292	61	$326	$513	$276	**($237)**
Creative Writing	1,331	50	$287	$351	$275	**($77)**
Sociology & Anthropology	2,401	49	$245	$282	$236	**($46)**
Clinical Mental Health Couns.	2,096	48	$307	$381	$436	$55
Mathematics	4,480	37	$181	$213	$262	$50
Chemistry & Physics	3,037	36	$214	$327	$321	**($6)**
Spanish & ASL	3,002	33	$231	$311	$268	**($44)**
Economics	2,096	20	$138	$170	$183	$13
Gend., Sexuality, & Women's St.	902	8	$237	$272	$243	**($30)**

1) Academic units not shown here, as no student majors were recorded in FY2025, include: 1) Philosophy, 2) Native American Studies, 3) Undergraduate Studies, 4) Military Science, and 5) First-Year Experience. Additionally, though the Healthcare Administration and International Studies academic units / programs did log student majors in FY2025, as the majority of coursework for these degrees are taught outside the units, assessment of the units' direct margins would inherently understate operating expenses.

See following slide for additional footnotes

Analysis Highlights

- **Updates:** Analysis refreshed to include direct expenses logged to each academic unit, plus SCH-based allocation of each relevant college's/school's direct costs. Direct revenues such as course fees and other operating revenues have also been included.
- Analysis of direct margins for these 24 academic units[1] indicate **14 units operate at positive margins (excluding overhead)**, while the remaining **10 academic units operate at a loss.**
- **Because this analysis only includes direct OpEx charged to the academic units and colleges / schools** - units shown as operating at a loss are in the red before any consideration of central university costs (e.g., student success staff, facilities cost).

Academic Analysis Footnotes

Methodology Notes:

1. Academic units not shown in the table on the prior slide, as no students majors were recorded in FY2025, include: 1) Philosophy, 2) Native American Studies, 3) Undergraduate Studies, 4) Military Science, and 5) First-Year Experience. Additionally, though the Healthcare Administration and International Studies academic units / programs did log student majors in FY2025, as the majority of coursework for these degree is taught outside the units, assessment of the units' direct margins would inherently understate operating expenses
2. Total Undergraduate (UG) and Graduate (GR) Student Credit Hours include all 'SOU regular classes' and Dual Enrollment but exclude any credits associated with 'OLLI' courses
3. Students Majoring in Degree Programs includes all students, undergraduate and graduate, majoring in degree programs within the respective academic units
4. Faculty Salaries, Wages, & Benefits (SW&B) reflect the actual total pay, by faculty member, by activity, and by academic unit, plus a benefits multiplier of 61%
5. **UPDATED:** Estimated Total Operating Expenses (OpEx) includes Faculty SW&B (as above) as well as all other staff /personnel salary and wages, and all other non-personnel operating expenses (e.g., supplies and services) costs charged directly to each academic unit as in the 2025 fiscal year general ledger. Given each of the two colleges/two schools have additional direct costs (i.e., cost of a dean's office) that should be incorporated, these operating expenses have been allocated to the relevant academic units based on the share of student credit hours that each unit comprises within its college/school
6. **UPDATED:** Operating Revenues per Student Credit Hour include: Total **net** tuition revenues, broken out by undergraduate vs. graduate vs. Advanced Southern Credit (dual-enrollment), course fees, State of Oregon Outcomes Based Funding (OBF) and Activities Based Funding (ABF), as well as other operating revenues charged directly to the academic units. Non-recurring, non-operating revenues (such as grant funds awarded for a specific purpose) have not been included
7. Direct Margin (Loss) per SCH is calculated as the difference Estimated Total OpEx per SCH and Operating Revenues per SCH
8. Given coursework and faculty overlap between the History and Political Science academic units, these were 'bundled' together for purposes of the direct margin by academic unit analysis

Sources:

FY2025 instructor loading report 040626.xlsx, *all instructor workload and pay*

Course data 5-years 042726.xlsx, *five-year course enrollment data*

FY2025 General Ledger, *reconciled to audited financial statements*

SOU SSCM Funding FY25, *SOU Student Success and Completion Model Funding for FY2025*

What Magnitude of Change is Needed for Financial Stabilization?

Given financial circumstances, the academic programs of the University will need to reduce expenditures between **$6.8 and $8.5M.***
Through the range of analyses included in the appendix, this report has identified the following options for the SOU Board and leadership to consider to create a sustainable portfolio.

Optimize Delivery in 16 Academic Units

- Moving from an average section size of 16 students towards an average size of 22 students will shift academic delivery to a more sustainable operating model
- This shift will require defining a narrower set of general education requirements
- Optimization will also require rethinking degree concentrations, and streamlining degree requirements
- These shifts will also open additional opportunities to offer short(er)-term credentials of value

Consolidate Nine and Close Four Academic Units

- Consider retaining programs that have high student demand, respond to local labor market needs, and offer more stable operating margins
- Consolidating and closing programs may impact up to 382 currently enrolled students; SOU must work individually with impacted students to determine an appropriate pathway to completion of a degree

Target Future State

- Similar to auxiliaries, entities housed within the academic areas—such as the Schnieder Museum, SOU Farm, and Digital Media Lab—cover direct and indirect costs through outside revenue, not drawing on E&G funds
- In the future, to maintain optimized academic delivery, faculty time will be aligned to instruction and supporting students to stay in school and graduate, with faculty support focused on enhancing retention, teaching, and learning

***Figure includes $2.7M in faculty FTE cuts that have already been announced** but had not taken effect in the 2025 Fiscal Year, which as the last complete fiscal year, has been utilized as the baseline for analysis

Optimization Within 16 Academic Units

Southern Oregon University will seek to optimize instructional delivery within a retained core area of academic units.

Academic Units → Optimization Approach

1. Business Administration
2. Education
3. Psychology
4. Theatre
5. Health & Exercise Science
6. Biology
7. Communication, Media & Cinema
8. Criminology & Criminal Justice
9. Emerging Media & Digital Arts
10. Environmental Science, Policy & Sustainability
11. Art & Art History
12. Computer Science
13. History & Political Science
14. English Studies
15. Clinical Mental Health Counseling
16. Hannon Library

- The delivery optimization analyses have been designed to align course delivery with demonstrated student demand and achieve an average size of 22 students per section
- Review of course section size will be conducted each quarter with an expectation of a minimum of 18 students
- Where courses run multiple sections per year, analysis of course enrollment indicates an opportunity to eliminate low-enrolled sections (by consolidating into other sections offered)
- Streamlining degree pathways is essential (e.g., reducing credit hours, simplifying options within degree pathways, and eliminating concentrations and/or certificates)
- While the Hannon Library does not produce credit hours, SOU can budget and align library resources with the evolving demands of students. The full extent of changes to the student population — the annual gate count has fallen to nearly half since 2019 — has not been reflected in the Library staffing, which is in the high end of the peer set
- SOU will transform and evolve course offerings that better align to student and labor market demands

Sunset Four Academic Units

Given Southern Oregon University's current financial condition, closing academic units and associated programs may be a necessary component of a path to sustainability.

Academic Unit	Action Description	AY2024 - 2025 Majors *(# of students majoring in programs in the unit)*
Gender, Sexuality, & Women's Studies	Academic unit(s) and associated programs to be sunset	8
Creative Writing		50
International Studies		6
Music		61
	Total number of majors impacted:	**125**

Teachout / Transition Support

For all majors impacted by closure of the above academic units, SOU will work with students to support teachout and/or transfer pathways

Methodology and Decision Criteria

- Academic units were assessed based on financial margins (total operational expenses compared to total operating revenues), student demand, program scale, and overlap with other offerings
- Based on precedent, this approach takes into account that as many as 50% – 75% of students in these impacted academic units may choose to leave the institution, rather than pursue an alternative path of study

See Appendix for footnotes

Academic Units to be Reconfigured

In addition to the optimization and closure of some academic units, the following units will likely need to be reconfigured.

Academic Unit	Action Descriptions	AY2024 - 2025 Majors *(# of students majoring in programs in the unit)*
Outdoor Adventure Leadership	Academic unit to be closed; sufficient coursework retained and shifted to Business Administration for options as a minor/certificate	82
Economics	Academic unit to be closed and shifted to Business Administration to offer students options for a minor/concentration/certificate	20
Chemistry & Physics	Associated majors to be sunset and academic units to be reconfigured to include a focused range of courses	36
Mathematics		37
Native American Studies		0
Philosophy		0
Sociology & Anthropology		49
Spanish & American Sign Language		33
Undergraduate Studies/First Year Exp.		N/A
Total number of majors impacted:		**257**

Methodology and Decision Criteria

Academic units were assessed based on financial margins (total operational expenses compared to total operating revenues), student demand, program scale, and overlap with other offerings

Teachout / Transition Support

For all majors impacted by closure of these academic units, SOU must work with students to support teachout and/or transfer pathways

SOU Path Forward | Administrative Areas

Future SOU | *Administrative Staff*

Administrative Considerations

- Similar to peer institutions, SOU's administrative staff has grown over the past several years. **With a shrinking student body and smaller academic footprint, the administrative needs of the university will continue to change**.
- SOU's size and scale make it challenging to align administrative staff to the needs and requirements of the institution. **The closest alignment would require either part-time staffing or shared responsibilities**, both of which can be difficult to operationalize in a standalone environment.
- Over the past decade, **higher education has pioneered a range of models to solve this fractional staffing problem There is an opportunity to form partnerships with other Oregon higher education institutions and regional organizations to provide high levels of expertise,** while also providing part-time staffing that is aligned to an institution's needs.
- On average, **these models result in 10-30% reduction in costs for the institution**, enabling work to be done with fewer staff members.
- However, these models also take time and resources to execute and may necessitate **aligning on a common technology platform**, which requires both resources and time to accomplish.
- SOU has a **range of options and delivery models to consider** to better align administrative costs to student and faculty levels. SOU should determine whether and to what extent these options align to its future needs and the needs of the population it serves.

Future SOU | *Administrative Operating Models*

	Model Description	Higher Education Case Studies
01 Outsourced Delivery Model	Administrative services can be outsourced and delivered by a third-party provider	UAF University of Alaska Fairbanks
02 Anchor University Delivery Model	A separate Oregon-based university provides administrative services for SOU	University of Michigan
03 Regional Network Delivery Model	Similar universities are organized into a "network," and administrative functions are consolidated at one service unit within that network	CSU The California State University
04 Local Partnership Delivery Model	The university utilizes local partners, such as the local school district or community college, for services and student support	The University of Memphis

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Delivery Model Functions | *Back Office*

Transaction-heavy, rules-based functions represent the clearest opportunity for efficiency gains, improved services, and lower technology costs.

20-30% Savings in Back Office Functions, Including Technology Savings

Comp, Benefits, and Non-Comp Expense Total: $14.0M
Savings Range: $2.8 – 4.2M*

Shared Service Function Opportunities

- **VP, F&A:** Management of finance and administration
- **Business Services:** AP/AR processing, payroll administration, procurement operations, travel/expense processing, shared service support
- **IT:** Help desk, infrastructure hosting/cloud, network operations, cybersecurity monitoring, application maintenance, desktop support, ERP support
- **Human Resources:** Benefits administration, payroll, recruiting coordination/RPO, background checks, learning administration, HR shared services
- **General Counsel:** E-discovery, contract review support, litigation support, compliance monitoring, outside counsel for specialty matters
- **Budget Office:** Financial modeling support, budgeting tool administration, reporting/BI production, forecast analytics
- **Institutional Research:** Research and data collection

Anchor University Delivery Model

Timeline: 6-9 months

Options: Outsource functions to Oregon flagship universities

Time to gain savings: ***Medium***
Role preservation for staff: ***High***
Level of savings: ***Medium***

Regional Network Model / Consortium Model**

Timeline: 12-18 months

Options: Create a shared service model across universities to provide services

Time to gain savings: ***Slow***
Role preservation for staff: ***Highest***
Level of savings: ***Medium***

Outsourced Delivery Model

Timeline: 2-6 months

Options: Outsource services to a non-profit, third-party provider

Time to gain savings: ***Fast***
Role preservation for staff: ***Low***
Level of savings: ***Highest***

**Estimated savings or revenue generation figures are offered as potential, indicative figures, as the full value of cost savings or revenue generation will be dependent on the timing and manner of implementation alongside any other shifts in external forces (socio-economic, market forces or geopolitical).*

***Identifying at least 2-3 University partners will allow SOU to find savings*

Delivery Model Functions | *Campus Services*

Select services may benefit from shared delivery where scale can be achieved without compromising responsiveness or campus experience.

10-20% Savings in Campus Services

Comp, Benefits, and Non-Comp Expense Total: $6.5M
Savings Range: $250K - $700K

Shared Service Function Opportunities

- **Campus Public Safety:** Contracted security officers, communications center support, Clery Act security services, emergency communications platforms and operations, security technology managed services, training and preparedness support
- **Facilities Management & Planning:** Facilities planning, central heat plant operations and maintenance, HVAC preventive maintenance and controls support, housing maintenance overflow, academic-area custodial, campus mail/service center operations, maintenance planning
- **Sustainability:** Strategy, compliance, operations coordination, and engagement

Local Partnership Delivery Model

Timeline: 3-6 months

Options: Partner with local Ashland and Rogue Valley partners, including local municipality

Time to gain savings: ***Medium***
Role preservation for staff: ***Medium***
Level of savings: ***Medium***

Outsourced Delivery Model

Timeline: 3-6 months

Options: Outsource services to a local third-party provider

Time to gain savings: ***Fast***
Role preservation for staff: ***Low***
Level of savings: ***High***

If neither option is viable, SOU may need to look at reductions in services to balance the budget in the near term; however, staffing reductions may impact the level of facilities services on campus and create delays in custodial or maintenance services

**Estimated savings or revenue generation figures are offered as potential, indicative figures, as the full value of cost savings or revenue generation will be dependent on the timing and manner of implementation alongside any other shifts in external forces (socio-economic, market forces or geopolitical).*

Delivery Model Functions | *Student Life*

Opportunities are concentrated in administrative and transactional activities, while high-touch, campus-specific services are retained locally.

20-30% Savings in Student Life

Comp, Benefits, and Non-Comp Expense Total: $8.2M
Savings Range: $1.6M - $2.4M

Shared Service Function Opportunities

- **Enrollment Management:** Admissions operations and application processing, prospective student contacts, financial aid processing support, registrar transaction services, transcript evaluation and credential services, CRM administration, enrollment analytics and forecasting
- **Admissions & Recruitment:** Marketing and lead generation, CRM support, application processing, recruitment operations, analytics support
- **Student Success**
  - **Career Development Services:** Career advising
  - **Success at Southern:** Academic advising, academic tutoring, student success planning, career guidance, financial literary
  - **Office Dean of Students:** Care Coordination, career connections

- **Enrollment Management**
- **Admission & Recruiting**
- **Financial Aid**
- **Career Development**
- **Career Planning/Guidance**
- **Workforce Partnership Development**

Regional Network Model

Timeline: 6-12 months

Options: Partner with local Rogue Community College

Time to gain savings: ***Long***
Role preservation for staff: ***Medium***
Level of savings: ***Medium***

Outsourced Delivery Model

Timeline: 3-6 months

Options: Partner with outsourced provider

Time to gain savings: ***Fast***
Role preservation for staff: ***Low***
Level of savings: ***Highest***

- **Enrollment Management**
- **Admission**
- **Financial Aid**

If neither option is viable, SOU may need to look at reductions in student services to balance the budget; however, this may impact enrollment and student success

**Estimated savings or revenue generation figures are offered as potential, indicative figures, as the full value of cost savings or revenue generation will be dependent on the timing and manner of implementation alongside any other shifts in external forces (socio-economic, market forces or geopolitical).*

Rethinking Student Advising | *Shared Model*

Shared advising between SOU and Rogue Community College offers an opportunity for local high school students to understand the benefits of programs across the two higher education entities supporting the Rogue Valley, offering a model that can leverage shared technology and staffing to increase the impact of SOU's recruitment team.

High School Recruitment Team

Shared Core Team of High School Recruiters

- Each advisor is trained to support both RCC and SOU students through admissions, onboarding, advising, and career planning
- Cross-training replaces siloed roles, as every advisor is "dual-certified" across both institutions
- Admission and career advisors work as a seamless ecosystem with each other, helping students to make the connection between their course of study and their career path
- Able to enroll students in real time

Workforce Development Team

Shared Core Team for Workforce Alignment

RCC and SOU can serve as a key link between employers and students, designing programs aligned to each institution's strengths that focus on:

- Employer-designed curricula
- Experiential learning and internship opportunities
- Industry-recognized credentials
- Clear credit articulation
- Student career placement

A partnership offers local employers 'one front door' to initiate conversations about emerging labor market needs, gaining the best of both institutions.

KEY CONSIDERATIONS

- Partnership will depend on the interest of all parties in engaging in conversations to develop a model that is mutually beneficial.
- In addition to Admission & Recruiting, Career Development, Career Planning/Guidance and Workforce Partnership Development, such a partnership might extend to Enrollment Management and Financial Aid.
- Technology and ability to maintain data privacy are key considerations for an effective partnership.

Rethinking Student Advising | *Student Success*

Improving student retention is a significant opportunity to improve student outcomes and increase revenue to the institution.

Supporting functions are integrated, working in tandem to enable students to stay in school and graduate.

- **Enrollment Management**
- **Admissions & Recruitment**
- **Student Success**

Increasing student retention will require reconfiguration of student support services, building an ecosystem of faculty and staff support. This will give SOU an opportunity to bring retention numbers at least in line with peers, increasing tuition and state funding to SOU.

Predictive analytics tools are used by all faculty and staff to identify students who are at risk (beginning with their application), and target interventions to help them; faculty and staff are held accountable for universally providing inputs to the data tracking and acting on outcomes

Students have simple, clear degree pathways, with course timing and location designed around the needs of the full population of SOU learners

Stackable credentials enable students to succeed in shorter time frames by providing shorter paths to milestones of value

Degree paths are connected to careers, building in experiential learning and paid internships for credit

Continued focus on activities that promote belonging and engagement, tailored to evolving student populations

SOU Path Forward | Auxiliaries

Future SOU | *Auxiliary Units*

Auxiliary Considerations

- Auxiliary units are generally expected to operate with a high degree of self-sufficiency, **but almost all of SOU's auxiliary units currently require ongoing institutional support.** Going forward, the University can develop a clearer point of view through KPIs to assess the contribution of auxiliary functions to the institution through enrollment growth. With budget stabilization, there may be a discretionary opportunity to further support auxiliary functions.

- Across higher education, athletics departments are generally not fully self-supporting. **Athletics can play an outsized role in alumni connection, institutional visibility, and fundraising**. Changes to athletics should consider not only the direct impact to the athletics program, but also the influence on enrollment, donor engagement, and the broader advancement strategy.

- Dining and housing facilities are typically self supporting, with consideration given to the cost burden to students. Given **affordability pressures and market sensitivity around pricing**, significant rate increases may not be the most practical near-term lever; instead, operational efficiencies, service model changes, and cost management may offer a more viable path.

- **Additional auxiliary activities warrant review, particularly where they are generating recurring losses without a clear connection to the core academic or student mission**. For units such as parking, the radio station, or other non-core enterprises, the University should assess the impact to the institution; connection to the institution's mission; and whether they can realistically reach break-even performance and, if not, whether divestiture, outsourcing, or spin-off models may be more appropriate.

- In the immediate near term, **balancing revenues and expenses across auxiliaries** is necessary to create a sustainable path.

Revitalize Auxiliaries | *From Cost Centers to Growth Engines*

A self-sustaining auxiliary model could **unlock $3.0M in annual savings** while reducing recurring losses and protecting the core academic mission.

Financial Sustainability

Auxiliaries are financially self-sustaining, **covering operating costs through sales, services, and philanthropy**, not E&G subsidies.

Margin Mindset

Auxiliary offerings should be **priced for both sustainability and affordability**, with intentional decisions on where discounts or access subsidies are warranted.

Synergy & Collaboration

Auxiliaries actively **collaborate to generate diversified revenue** (e.g., athletic camps stay in student housing, coaches staff the Rec Center, shared events utilize the Arts and Rec Centers).

Community Engagement

Auxiliaries host fundraising, recruiting, and summer camp **events that strengthen campus, alumni, and community ties.**

Designed to operate as a self-supporting portfolio of services, programs, and assets.

Building a More Sustainable Dining Experience

SOU's Housing auxiliary, comprised of Housing and Dining, operates in a deficit that is primarily driven by Dining Services costs. SOU can capture approximately **$1.1M in savings across Housing and Dining,** a substantial portion of its $3M total auxiliary opportunity, by discontinuing GPA incentive housing remissions, filling unused housing capacity, and closing the gap between dining pricing and cost-to-serve.

WHAT WILL STAY THE SAME

- The focus will remain on **access, convenience, and food quality**
- **Meal plans, campus dining, and catering** will continue to be core parts of student life

WHAT MAY FEEL DIFFERENT

- Some **hours, menus, and service approaches** may evolve over time to better match student usage
- **Meal plan structure and pricing** may be reviewed periodically to keep pace with operating realities and peer practices

Potential Pathways to Support Athletics Sustainability

Reducing Athletics' structural deficit could **unlock a $1.5M savings opportunity before E&G subsidy.**

Substantial feedback gathered through the 'Always-On' feedback loop suggests that fundraising could be a viable way to support athletics sustainability.

OPTION #1
FUNDRAISING-LED PATHWAY

- Increase philanthropic and community support for athletics
- Use targeted fundraising to help reduce ongoing financial pressure

OPTION #2
PROGRAM-ADJUSTMENT PATHWAY

- Reducing the number of assistant coaches or even cutting certain team(s) may be necessary to align revenues to expenses.
- Decisions around athletics teams should consider the number of student-athletes impacted
- Any path would need to consider athletics association and conference requirements, as well as Title IX implications

The University is balancing two realistic paths: Securing additional support through fundraising or considering targeted program changes if the current operating gap cannot be closed in other ways.

SOU Path Forward | Near-Term Revenue Opportunities

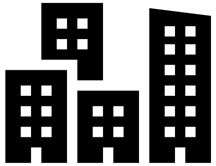
Future SOU | *Revenue Opportunities*

Revenue Considerations

- The University has several plausible revenue levers, including **better use of campus assets, stronger enrollment and aid strategy, improved retention, and more focused fundraising.** Together, these could strengthen and diversify revenue over time.
- The most important consideration is timing. **Most revenue initiatives take longer to design and realize than cost actions**, and many require investment or execution capacity the University may not currently have.
- As a result, these opportunities **may not contribute immediately as the primary answer to near-term financial pressure** and may better serve as medium-term supports to a broader stabilization plan.

Revenue Opportunities | *Monetize Underutilized Space*

With enrollment and financial pressures continuing, SOU can unlock revenue through new revenue streams from underutilized campus space.



Leverage Campus Assets

- Lease select campus assets for community use, external events, rentals, camps, and conferences
- Consider selling underutilized assets to generate one-time revenue and reduce upkeep costs

Estimated Potential Impact

~$1.9M*

Annual Revenue Opportunity

*Assumes performance in line with other institutions that have driven 10% increases in auxiliary services revenue

Revenue Opportunities | *Net Tuition Optimization*

With enrollment and financial pressures continuing, SOU can unlock revenue through net tuition improvements.

Improve Net Tuition

- Centralize financial awards by aligning the financial aid, packaging, and discounting strategy to improve overall enrollment numbers while maintaining and growing net tuition revenue
- Evaluate scholarship guidelines, exception-based awards, and targeting to provide individual students the aid package that will bring them to SOU and retain them for their full course of study
- Streamline student success teams to so that more students remain at SOU through graduation

Estimated Annual Potential Impact

~$1.4M – 1.8M*

Tuition Revenue Improvement

*Assumes 2-4% improvement in yield (+$400K-800K revenue impact) and 2% improvement in discount rate (+$1M in revenue impact)

Revenue Opportunities | *Increase Unrestricted Giving*

With enrollment and financial pressures continuing, SOU can expand flexible fundraising by increasing the share of gifts that support highest-priority institutional needs.

Grow Flexible Philanthropy

- Reframe annual giving so unrestricted support is the default ask and pair unrestricted asks with a sharper case for support around student success, retention, and greatest institutional need
- Prioritize conversion of higher-capacity donors to flexible-use gifts

Estimated Potential Impact

~$370K – 740K*

Annual Unrestricted Funding Opportunity

*Assumes 10-20% conversion of FY25 scholarship gifts are redirected to broader institutional support through revised donor ask strategy

SOU Path Forward | Structural Cost Reduction Measures

Future SOU | *Structural Operating Expenses*

Structural Operating Expense Considerations

- Near-term controls such as a hiring freeze, purchasing freeze, merit freeze, and COLA freeze have been used by other institutions over the past year to reduce projected growth in salaries, wages, and benefits in the short term. These actions are typically among the **fastest ways to create immediate budget relief, but they slow growth and do not fundamentally reset the cost base**.

- Healthcare is a particularly important consideration given the size of current benefit expense. **Alternative healthcare models used by other institutions may offer meaningful recurring savings** if the University is able to pursue them.

- At the same time, benefit changes are more constrained than many other expense levers. **State requirements, employee expectations and needs, and implementation complexity will shape what is feasible** and how quickly savings can be realized.

Operational Savings | *Temporarily Freeze Salaries, Wages, & Benefits*

While freezing salaries, benefits, and wages in the short term may reduce operational expenses, this is not sustainable over time.

Salaries, Wages, and Benefits

- Introduce a hiring freeze, purchasing freeze, merit freeze, and COLA freeze to reduce projected increases to salaries, wages, and benefits in FY27

Estimated Potential Impact

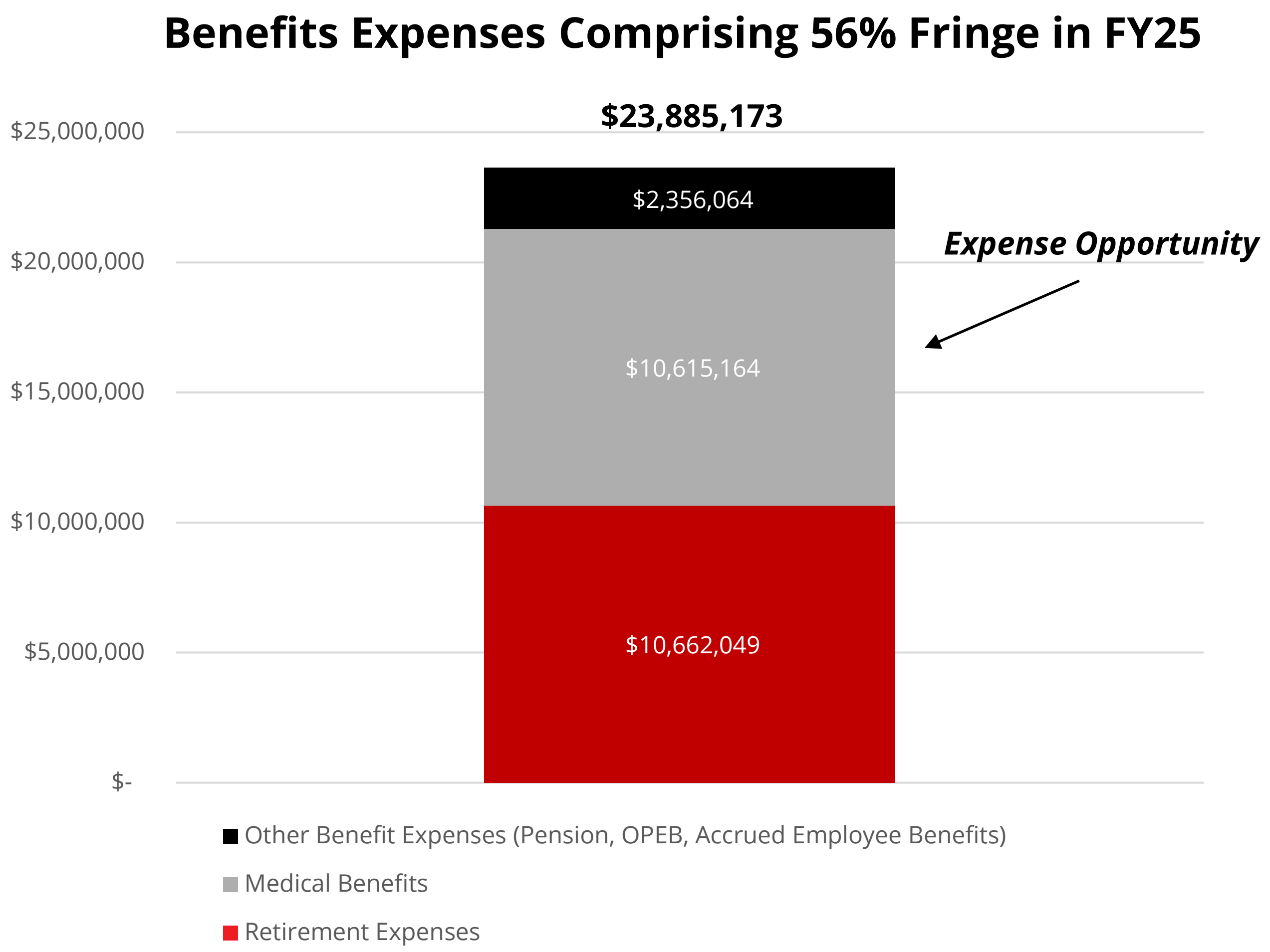
$845K (salary/wages only) – $1.3M*

One-Time Savings Opportunity

*Source: SOU Budget Master Model. Savings calculated by removing the projected 2-3% annual increase in FY27 and holding expenses flat. Note these savings do not include the estimated $1M in salaries savings from the Resiliency Plan.

Operational Savings | *Increased Healthcare Cost Sharing by Employees*

With a total benefits expense of $23M, the **effective fringe rate in FY25 was 56%,** comparatively high based on industry standards. There exist significant opportunities to operate sustainably if SOU can identify strategies and pathways to reduce benefits expenses.



Pathway to Reducing Benefits Expense

Current benefit expenses at SOU contribute significantly to operating expenses, costing SOU an average of $42,232 annually per employee. Per State of Oregon law, a public university must provide group insurance to employees. However, there may exist opportunities for SOU to provide group health and wellness insurance outside of the Public Employee Benefits Board (PEBB), per Oregon Statute 352.237.

Economics - Healthcare Expense

Reducing healthcare expenses by 10-20% by utilizing alternative healthcare models (e.g., Oregon Educators Benefit Board (OEBB) utilized by community colleges could save SOU $1.1M to $2.1M* annually; however, impacts to employees should be considered.

This savings would be realized by reducing the cost sharing shouldered by the University and moving to more industry standard benefits.

*Source: FY25 Income Statement Transaction 2026-02-28.xlsx / Trial_Balance (4).xlsx.
Assumes 10-20% reduction in medical expenses

SOU Path Forward | Setting the Foundation for Success

What it Will Take for SOU to Succeed

Achieving financial stability is possible, and will require disciplined execution, protected liquidity, credible external support, sustained alumni and philanthropic confidence, and careful sequencing around academic and operational realities.

LEADERSHIP ALIGNMENT

Change management suggests 'starting with the end in mind.' There is an opportunity for the Board and SOU campus leaders to articulate a clear vision for the future and offer a path forward to SOU's evolution.

DISCIPLINED EXECUTION AT PACE

To succeed, SOU will need to deliver a complex implementation plan against critical milestones, with limited staff capacity and little room for delay. In addition to attending to key milestones, SOU will need to evolve the plan as the context changes.

A COMPELLING PARTNERSHIP CASE

To attract partners in a difficult higher education market, SOU will need a clear value proposition and incentives that make engagement worth the investment.

COMMUNITY SUPPORT

Staff and faculty will need to work together to achieve a future vision, supported by alumni, donors, the Rogue Valley community, and the Oregon Legislature.

CAREFUL SEQUENCING OF DEPENDENCIES

Program changes and cost actions will need to align with the academic calendar and other dependencies to reduce disruption and avoid undermining the student experience. Within these constraints, optimizing outcomes for students is an effective guiding principle.

Success will depend not just on having a plan, but on executing it quickly, credibly, and consistently, reevaluating as the environment and context evolves.

Path Forward

1. Next: **Board of Trustees Public Listening Session on May 5th, 5-7pm**
2. Share **final report with SOU Board on May 8th**
3. **Board of Trustees Meeting, Presentation, Invited Testimony, and Resolution on May 8th, 5-7pm**
4. **Final materials submitted on May 11th**

SOU Resources

Appendix and Supplementary Analysis

Mounting Financial Pressures Are Straining Operations

SOU faces increasing financial pressure, driven primarily by declining operating revenues and growing operating expenses that have put pressure on liquidity and the balance sheet.

Composite Financial Index (FY25)

	Formula	*Ratio Calculation*	*CFI Score*	*Industry Benchmark***
Primary Reserve	unrestricted net assets / total unrestricted expenses	**0.33**	**0.86**	**0.4**
Net Operating Revenue	total net surplus / deficit / total unrestricted revenues	**(0.06)**	**(0.55)**	**0.02+**
Return on Net Assets	change in net assets w/o restrictions / total net assets (beginning of FY)	**(0.04)**	**(0.39)**	**0.04+**
Viability	expendable net assets / long-term debt*	**0.77**	**0.65**	**1.25**
		Composite Financial Index (FY25)	**0.57**	

*Includes liabilities for Workday
**Compare to Ratio Calculation
Source: 2021-2025 SOU Annual Financial Statements

Insights & Observations

The Composite Financial Index is combination of four financial ratios that gauge the fundamental elements of the financial health of a public institution. The composite score reflects the overall relative financial health of institutions along a scale from negative 4.0 to positive 10.0. **A composite score greater than or equal to 1.1 indicates the institution is considered financially healthy.**

An analysis of SOU's financial statements and CFI indicates that **the institution has been under financial strain for several years**. Operating margins have declined as **operating expenses have outpaced operating revenues over the last five years.**

Additionally, the **net position of the institution is shrinking,** and SOU does not have significant cash reserves or a large endowment that can provide financial relief during periods of distress.

The Financial Projections Tie Back to the Financial Statements

The analysis of the FY25 ledger data has resulted in a match to the audited financial statements. To assist the financial analysis, the financial data has been restated into "natural" classifications and E&G funds have been identified separately to better understand operating performance.

1 Map the FY25 general ledger data to the financial statements to confirm accuracy

2 Categorize financials into "natural" categories to better understand the nature of revenues and expenses

3 Separate "E&G" funds from other revenues and expenses to better understand operating performance

	FY25 Operating Expenses (Financial Statement in $K)
(08)-Instruction	$ 33,538
(09)-Research	1,634
(10)-Public Service	4,801
(11)-Academic Support	7,307
(12)-Student Services	5,978
(13)-Auxiliary Programs	15,152
(14)-Institutional Support	19,864
(15)-Operation and Maintenance	7,426
(16)-Student Aid	8,089
(17)-Other Operating Expenses	6,122
Total Operating Expenses	**$ 109,911**

	FY25 Operating Expenses (GL Categorization in $K)
Salaries and Wages	$ 42,718
Benefits	23,885
Supplies and Services	24,761
Student Aid	7,843
Rent Expense	89
Lease Expense	948
Utilities Expense	2,573
Maintenance and Repair	6,242
Investment Expense	3
Auxiliary Expense	848
Total Operating Expenses	**$ 109,911**

	FY25 Operating Expenses (GL Categorization in $K)
Salaries and Wages	$ 32,615
Benefits	19,673
Supplies and Services	8,556
Student Aid	-
Rent Expense	5
Lease Expense	849
Utilities Expense	1,494
Maintenance and Repair	3,612
Investment Expense	-
Auxiliary Expense	-
Total Operating Expenses	**$ 66,804**

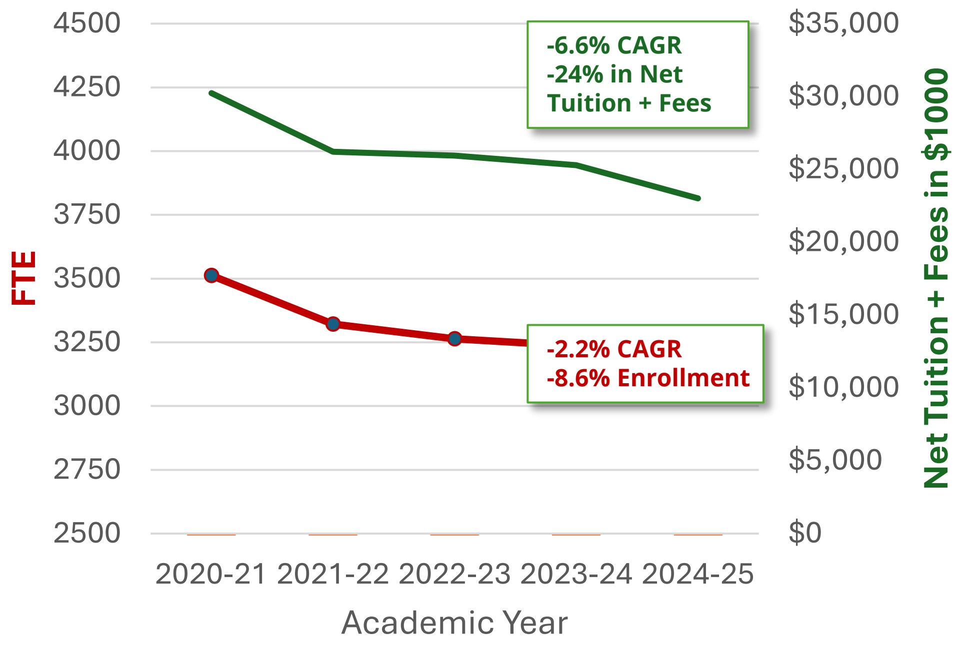
Source: FY25 Income Statement Transactions 2026-02-28.xlsx

*Note: $109.9M in FY25 does not include $1.5M in interest expense that was included in the FY25 expense analysis on the financial forecast, which was stated at $111.4M ($109.9M + $1.5M = $111.4M)

Shrinking Student Base & Higher Discounts Erode Tuition Revenue

SOU's full-time enrollment is down 8.6% since 2020 and **net tuition revenue is down 24% between FY21 and FY25**. This decline in enrollment and tuition is compounded by **discount rate growth from 12.0% (AY23) to 16.7% (AY25).**

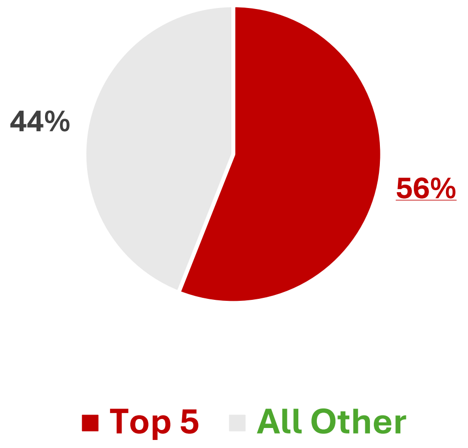
Full-Time Enrollment and Net Tuition + Fees
2020 to 2025



Share of Headcount By Program Area
2025

Top 5 Programs By Share of Headcount

1. Business Administration	20.62%
2. Education	14.28%
3. Psychology	10.52%
4. Theatre	5.54%
5. Health & Exercise Science	5.45%



*SOU has seen a **consistent decline in student headcount over the last five years**. SOU's **top five programs account for roughly 56% of student headcount**. Even as enrollment has declined and programs have been reduced, SOU still offers a significant number of academic programs that serve a very small numbers of students.*

Source: HECC Fall 2025 Oregon Public Institution Enrollment , Program Data, and CFI Template from HLC Southern Oregon

Candidate360™ | *SOU Undergraduate Recruiting Opportunity*

In their local recruiting area, SOU has the opportunity to expand their reach to households that share the financial characteristics of their historical undergraduate applicants (2022-2024).

Key Takeaways

- Based on their historic performance, SOU may have challenges attracting households with the lowest income levels. However, most of the households within their core recruiting area have income levels common among their undergrad applicants.
- Slightly higher debt levels among undergrad applying households likely reflect greater access to credit related to increased income levels.
- The median household likely to have a college-age student in SOU's local recruiting area (see breakdown below **totaling around 13,000 households**) has a median estimated household income of $60,000 - $75,000 and median household debt of $1,500 - $3,499.
- For households with an undergraduate applying to SOU, **around 5,300** of which had available survey data, the median estimated household income is $75,000 - $99,000 and household debt median household debt is $3,500 - $7,499.

Zip Code^	2020 Census Population	2024 ACS Households	Identified Households with College-Aged Person*
97501	47,519	18,090	2,738
97502	29,558	11,434	2,157
97504	49,942	20,571	3,197
97526	36,561	16,037	2,300
97527	36,358	14,968	2,386
97535	5,015	2,051	255
Total	204,953	83,151	13,033

Estimated Household Income		
	SOU Undergraduate Applicants	**Identified Households with College-Aged Person***
Minimum	Less than $15,000	Less than $15,000
25th Percentile	$60,000-$74,999	$30,000-$39,999
Median	$75,000-$99,999	$60,000-$74,999
75th Percentile	$125,000-$149,999	$75,000-$99,999
Maximum	$500,000+	$500,000+

Estimated Household Debt Level		
	SOU Undergraduate Applicants	**Identified Households with College-Aged Person***
Minimum	$0	$0
25th Percentile	$1 - $1,499	$1 - $1,499
Median	$3,500 - $7,499	$1,500 - $3,499
75th Percentile	$25,000 - $39,999	$15,000 - $24,999
Maximum	$75,000+	$75,000+

^selected SOU core recruitment area zip codes

**based on reported children's ages between 15 – 19 years old*

** Based on Deloitte's proprietary Candidate360 data set.*

Candidate360™ | *SOU Adult Learner Market Size*

The adult learner population is based on unique individuals, rather than households.

Key Takeaways

- Potential adult learners are likely aged 25-45, have estimated household income between $75,000 - $249,999, and younger children (< 10 years old) are likely not present in household.

Zip Code	2020 Census Population	2024 ACS Households	Unique Identified Potential Adult Learners*
97501	47,519	18,090	2,089
97502	29,558	11,434	2,052
97504	49,942	20,571	3,493
97526	36,561	16,037	1,756
97527	36,358	14,968	1,773
97535	5,015	2,051	207
Total	204,953	83,151	11,370

** Based on Deloitte's proprietary Candidate360 data set.*

SOU Faces Decline in Program Headcount

Multi-year declines in headcount (unduplicated declared undergraduate and graduate students) across SOU's programs are driving contraction.

	Rank	Academic Program Area	Headcount ('20-21)	Headcount ('24-25)	Headcount CAGR ('20-25)
78% / 45%	1	Business Administration*	863	696	-4%
	2	Education	536	482	-2%
	3	Psychology	418	355	-3%
	4	Theatre*	237	187	-5%
	5	Health & Exercise Science	151	184	4%
	6	Biology	211	168	-4%
	7	Communication, Media & Cinema	211	164	-5%
	8	Criminology & Criminal Justice	184	160	-3%
	9	Emerging Media + Design	163	132	-4%
	10	Environmental Science, Policy & Sustainability*	133	91	-7%
22%	11	Art & Art History	68	83	4%
	12	Outdoor Adventure Leadership*	109	82	-6%
	13	Computer Science	96	76	-5%
	14	English Studies	74	66	-2%
	15	Music*	60	61	1>%
	16	Creative Writing	65	50	-5%
	17	Sociology & Anthropology	57	49	-3%
	18	History	44	48	-9%
	19	Clinical Mental Health Counseling	76	48	2%
	20	Mathematics	53	37	-7%
	21	Chemistry & Physics*	62	36	-10%
	22	Spanish & American Sign Language*	71	33	-14%
	23	Healthcare Administration	59	28	-14%
	24	Power & Politics*	55	26	-14%
	25	Economics	21	20	-1%
	26	Gender, Sexuality & Women's Studies*	10	8	-4%
	27	International Studies*	31	6	-28%
	Total		**4,118**	**3,376**	

Insights & Observations

- **Most SOU programs are shrinking:** Only four programs increased headcount between 2020 and 2025.
- **Headcount is concentrated in large programs.** In '24-'25, **the three largest programs,** Business, Education and Psychology, **made up 45%** of student headcount.
- The top 10 programs account for **78% of headcount.**
- **While the largest percentage declines are occurring in SOU's smaller programs (e.g., Healthcare Administration), the largest absolute declines are in large legacy programs like** Business, Psychology, and Education.

Source: Program Data Tables.xlsx
(*Program Area contains a major that is being taught out or consolidating)

Declines in Degrees Conferred Across Program Areas 2020-2025

Degree conferrals are down sharply, and SOU's largest programs produce the overwhelming majority of BA and MA degrees.

		BA Rank	Academic Program Area	BA Degrees Conferred ('24-25)	MA Degrees Conferred ('24-25)	CAGR BA ('20-25)	CAGR MA ('20-25)
77% BAs	Largest Program Areas	1	Business Administration*	93	47	-6%	-16%
		2	Psychology	85		-2%	
		3	Education	52	53	-10%	-7%
		4	Communication, Media & Cinema	39		-4%	
		5	Theatre*	35	0	-9%	-100%
		6	**Criminology & Criminal Justice**	**34**		**1%**	
		7	**Health & Exercise Science**	**34**		**6%**	
		8	Emerging Media + Design	29		-10%	
		9	Biology	26		-4%	
		10	**Outdoor Adventure Leadership***	**22**	**8**	**1%**	**3%**
23% BAs	Bottom Program Areas	11	Environmental Science, Policy & Sustainability*	20		-7%	
		12	Creative Writing	15		0%	
		13	Computer Science	13		-11%	
		14	Art & Art History	11		-14%	
		15	English Studies	11		0%	
		16	History	11		-10%	
		17	Music*	11		-9%	
		18	Sociology & Anthropology	10		-2%	
		19	Healthcare Administration	8		-13%	
		20	Chemistry & Physics*	7		-15%	
		21	Power & Politics*	7		0%	
		22	Mathematics	6		-13%	
		23	**Gender, Sexuality & Women's Studies***	**3**		**25%**	
		24	Economics	2		-17%	
		25	Clinical Mental Health Counseling		16		-4%
		26	International Studies*	0		-100%	
		27	Spanish & American Sign Language*	0	0	-100%	-100%

Insights & Observations

- **Decline in degrees conferred:** BA conferrals fell 26.1% and MA conferrals fell 48.5%.
- **SOU relies on its largest programs to award most of its degrees:** Ten largest undergraduate programs were responsible for 77% of BAs; Education and Business Administration were responsible for 81% of MAs.
- **All undergrad programs declined from 2020-2025 except:** Criminology & Criminal Justice; Health & Exercise Science; and Outdoor Adventure Leadership.

Source: Program Data Tables.xlsx (unduplicated degrees)
(*Program Area contains a major that is being taught out or consolidating)

Academic Trends Suggest Limited Near-Term Growth

Eight of SOU's programs outpace statewide benchmarks while all others were either flat or experienced noteworthy contraction.

CIP Percent Change 2018 to 2024

CIP Name	SOU % Change	State of Oregon % Change	Nationwide % Change
Multi-/Interdisc. Studies, Other	67.2%	-9.7%	-2.2%
Education, General	15.5%	3.9%	-2.2%
Native American Studies	15.2%	0.0%	1.4%
Music Performance, General	12.2%	3.8%	-1.4%
Accounting	3.4%	-5.6%	-5.5%
Creative Writing	1.8%	-3.0%	2.2%
Drama/Theatre Arts, General	0.6%	-4.4%	-0.8%
Kinesiology/PE/Fitness, General	0.4%	-9.8%	-2.2%
Parks/Recreation/Leisure	0.0%	0.0%	-7.9%
Art Studies, General	0.0%	0.5%	-1.3%
E-Commerce	0.0%	0.0%	3.5%
Business Admin/Mgmt, General	-0.9%	-0.9%	-0.3%
English Lit, General	-1.5%	-1.3%	-3.9%
Mental Health Counseling	-2.4%	78.2%	9.7%
Psychology, General	-3.2%	-40.7%	1.9%
Music, General	-3.9%	6.7%	-1.2%
Speech Comm/Rhetoric	-3.9%	-10.9%	-4.2%
Sociology/Anthropology	-4.7%	0.0%	-0.1%

CIP Percent Change 2018 to 2024 Cont.

CIP Name	SOU % Change	State of Oregon % Change	Nationwide % Change
Biology, General	-4.9%	-3.3%	0.4%
Teacher Ed/Prof Dev. [...]	-5.0%	0.0%	4.2%
History, General	-5.9%	0.2%	-1.3%
Computer/Info Sciences, Gen.	-7.3%	-3.9%	6.5%
Math, General	-7.5%	-11.2%	-2.6%
Environmental Studies	-8.6%	-1.9%	1.3%
Chemistry, General	-9.1%	-3.9%	-2.5%
HR Mgmt/Personnel Adm., Gen.	-9.8%	0.0%	0.5%
Social Sciences, General	-10.9%	-6.4%	-3.3%
Nonprofit/Public Org Mgmt	-10.9%	-4.3%	-2.9%
Teacher Ed, Multiple Levels	-11.2%	-3.0%	1.3%
Criminal Justice/Safety	-13.1%	12.2%	-2.3%
Poli Sci/Govt, General	-13.7%	1.7%	0.2%
Economics, General	-15.5%	-100.0%	-8.9%
Finance, General	-16.7%	0.0%	-0.2%
Math/Computer Science	-16.7%	-4.7%	11.5%
French Lang/Lit	-22.2%	-21.7%	-6.8%
Spanish Lang/Lit	-22.9%	-3.9%	-4.8%
Elementary Education	-44.4%	-3.0%	1.3%

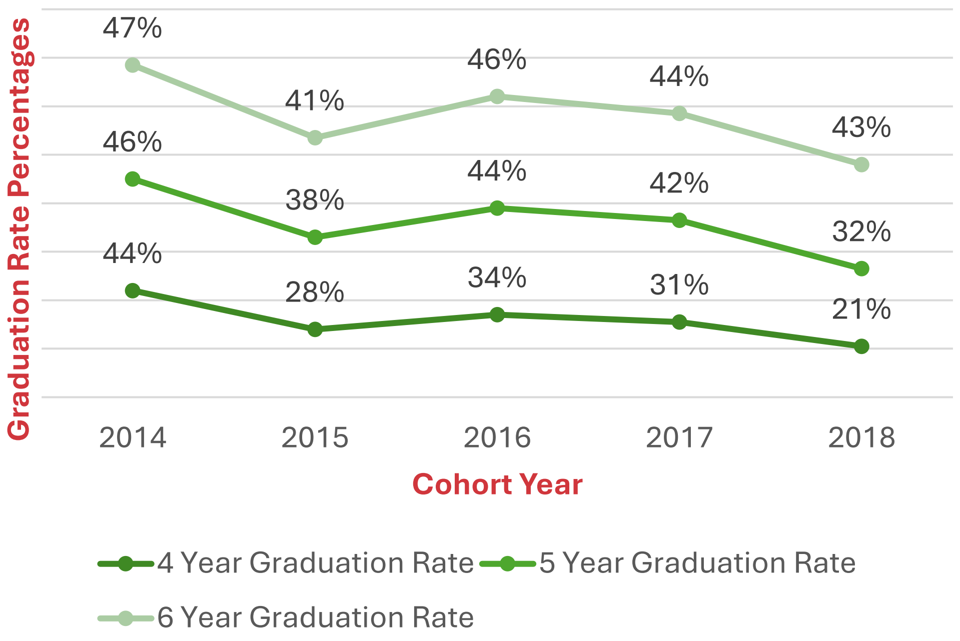
LEGEND:
- (orange) Indicates the relevant comparison point (OR or nationwide) under-performed compared to SOU
- (yellow) Indicates the relevant comparison point (OR or nationwide) was on par with SOU's performance
- (green) Indicates the relevant comparison point (OR or nationwide) outperformed SOU

Source: NCES IPEDS, variable AWLEVEL

Declining Graduation Rate & Retention Impact SOU's Tuition and State Funding

Challenges in retaining students impacts both the university's ability to generate revenue from its student population and the state: given the state's funding formula includes funding based on graduation numbers, retention challenges impact the university's overall funding package.

SOU Cohort Graduation Rate 2014-2018



Insights & Observations

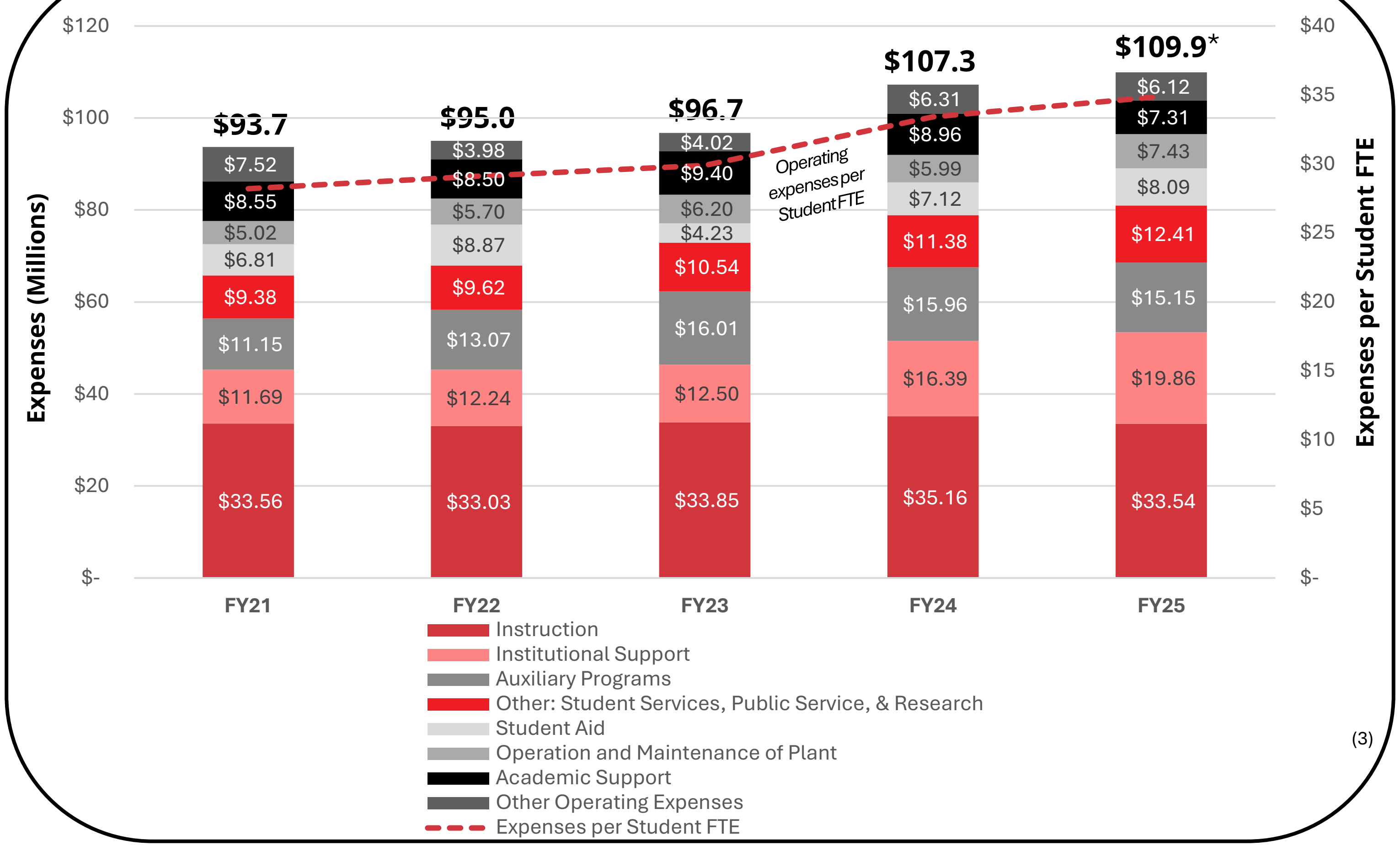
- The Student Success and Completion Model (SSCM) is the funding distribution model used to allocate funding appropriated in the Public University Support Fund to the public universities. Of the three funding components – mission support, activities-based funding, and outcomes-based funding – **outcomes-based funding distributes funding for degree and certificate completions by Oregon residents, averaged over a three-year period.**
- Given this funding model, for each student SOU does not graduate, SOU does not receive outcomes-based funding.
- **SOU's cohort graduation rate has decreased since the 2016 cohort (2020 anticipated graduating class) entered and has not exceeded 50% for any of the last five cohorts. The national graduation rate for first-time full-time freshmen was 64%** for the 2014 cohort (the last year IPEDS published results) completing a degree with six years.
- Declining retention negatively impacts revenues from both incoming student tuition and the state funding model.

Source: IPEDS, HECC, SOU Office of Institutional Research, NCES

Despite Enrollment Decline, Operating Expenses Have Grown

Operating expenses per student FTE increased from **$28K in FY21** to **$35K in FY25**, indicating a higher cost to serve each student as enrollment declined.

Operating Expenses by Function



(3)

Insights & Observations

- As shown by the dotted trend line, **expenses per student FTE have increased from $28K to $35K** from FY21-25, meaning the cost of operations has grown on a per student basis by 25%.
- Despite enrollment declines, **total operating expenses rose $16.2M (17%)** from FY21-25, with the largest jumps occurring in FY24 (+$10.6M) and FY25 (+$2.6M).
- Highest growth categories from FY21-25 were **Institutional Support** (+$8.2M) and **Auxiliary Programs** (+$4.0M).
- **Student Aid** increased sharply from FY23-25 (+$3.9M).

Source: CFI Template from HLC Southern Oregon University 03162026.xlsx

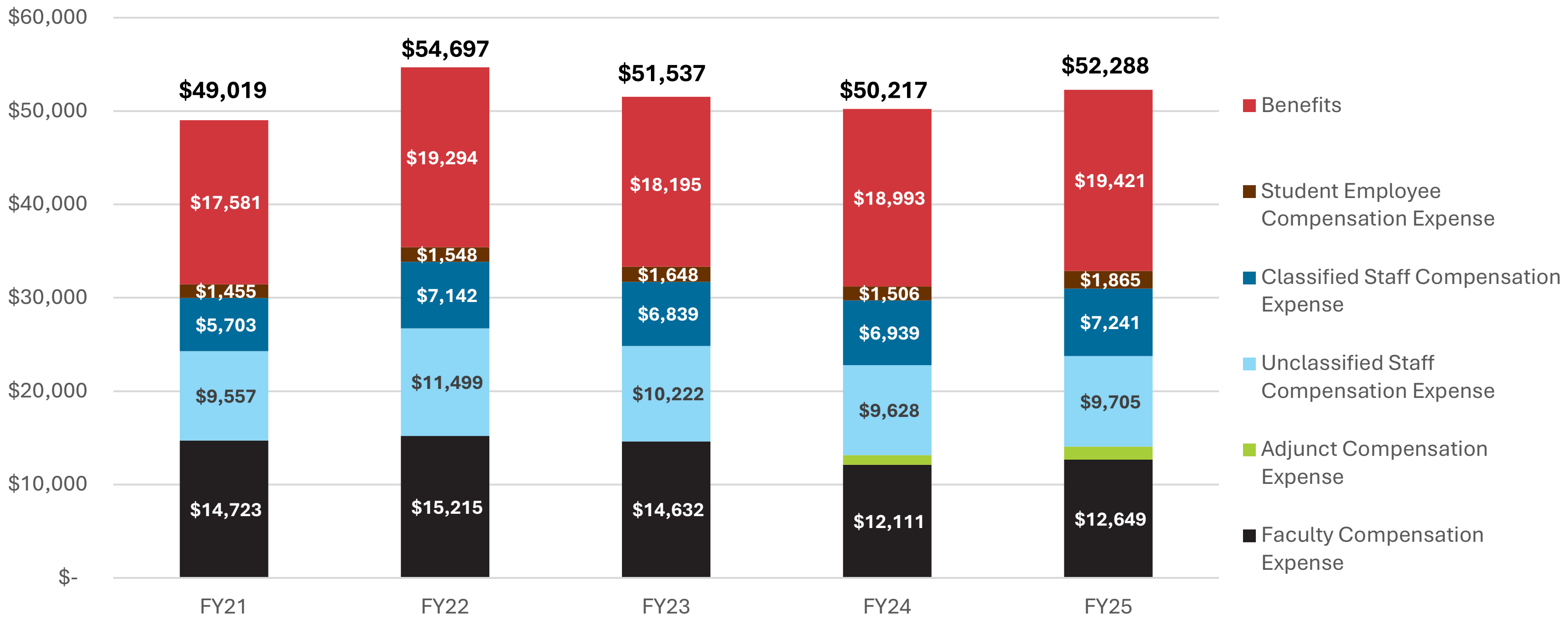
*Note: $109.9M in FY25 does not include $1.5M in interest expense that was included in the FY25 expense analysis on the financial forecast, which was stated at $111.4M ($109.9M + $1.5M = $111.4M)

Benefits Expense Relative to Salaries Are High Compared to Industry

Salaries, wages, and benefits are consistently the largest portion of SOU's operating expense. Over the last 5 fiscal years, benefits expense consistently represents at least 55% of total compensation, which is high compared to industry standards.

Compensation & Benefits Expense (FY21 – FY25) in $K

E&G Funds (FD10) Only



	FY21	FY22	FY23	FY24	FY25
Benefits as a % of Compensation Expense	55.9%	54.5%	54.6%	60.8%	59.1%

Insights & Observations

- **Faculty expense represents the largest compensation expense category, making up 38% of total compensation** expense in FY25.
- **Since FY21, total faculty and staff salaries have decreased by 14%, while other compensation expenses have increased.**
- Benefits expenses have been consistently high relative to total compensation and have been increasing particularly in recent years.
- **In FY24, total compensation decreased by 6%** as the result of financial resiliency plan. However, **benefit expenses increased by 4% over the same time period, with an effective fringe rate of over 60%.**

Source: FY21-FY25 Income Statement Transactions

Auxiliary & Institute Support Are Contributing to Expense Growth

Operating expenses between FY21 and FY25 have grown 17% overall, with most of the growth ($12M) occurring within "Auxiliary Programs" and "Institutional Support." A closer review of these expenses reveals increasing costs in the three major areas below.

Housing and Dining Services

$10M Total Expense
(In FY25)

- Most of the operating and non-operating expenses occurred within "Supplies and Services," which accounted for $6M in FY25
- **Dining services alone was responsible for $5.5M in FY25 expenses,** which may suggest opportunities to review contracts with dining suppliers

Athletics

$3.8M Total Expense
(In FY25)

- Athletics appears to have grown significantly from both revenues and expenses, **most significantly in travel expenses, which accounted for $1.5M in FY25**
- Athletics also receives significant transfers in E&G funds and Foundation funds, which help support athletic expense expansion

Business Services

$7.5M Total Expense
(In FY25)

- Business Services also appear to have significant expense increases, particularly within **depreciation and amortization expenses**
- **Of the $7.5M in FY25 expenses, $7.3M of these expenses were aligned to depreciation and amortization**, suggesting increasing costs to support aging buildings and infrastructure

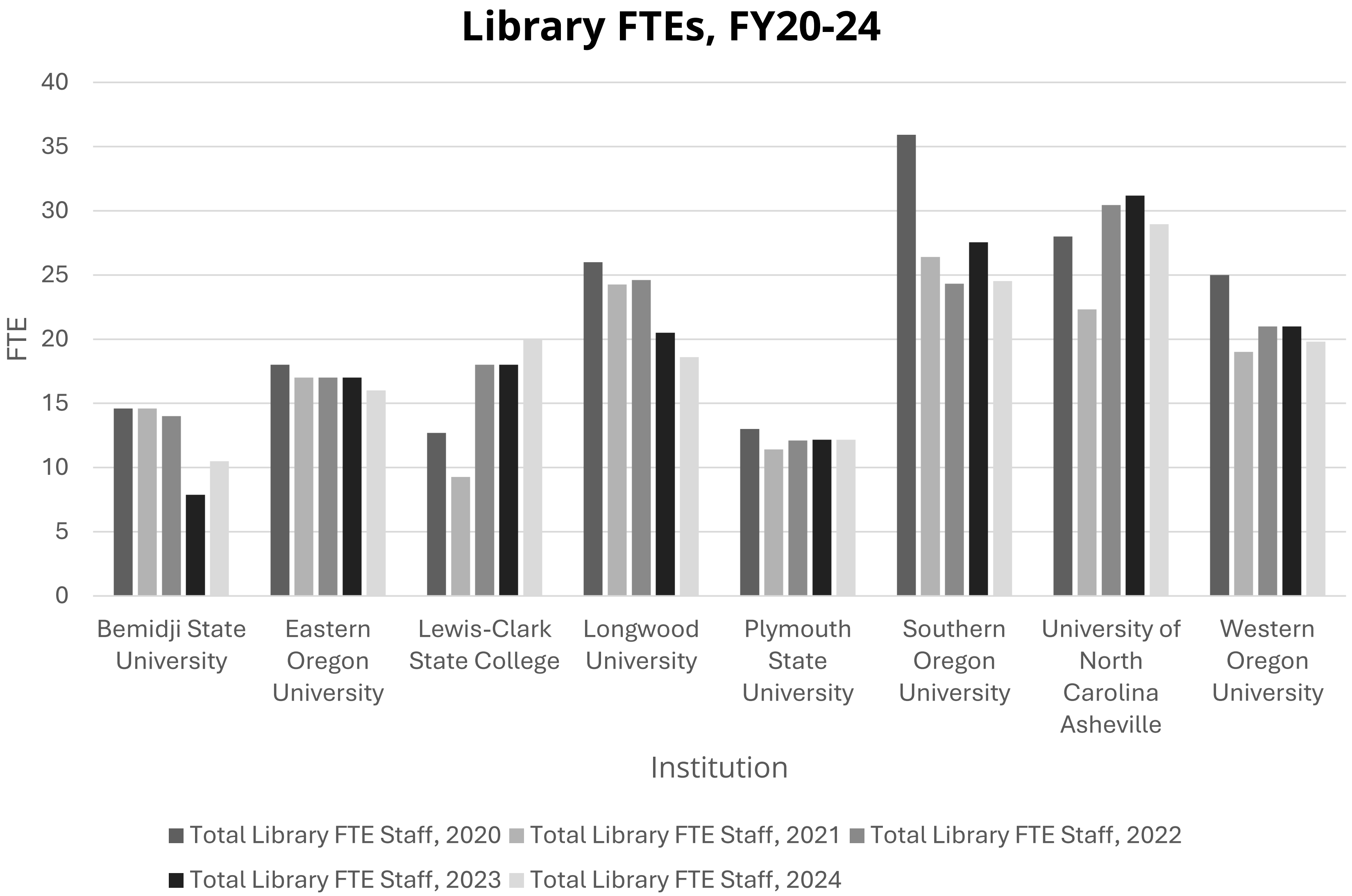
Source: FY21-FY25 Income Statement Transactions

Library Services

The change in student population has not been reflected in the Library staffing, which is in the high end of the peer set. However, annual visits have fallen to nearly half since 2019.

2019 Annual Gate Count
195,366

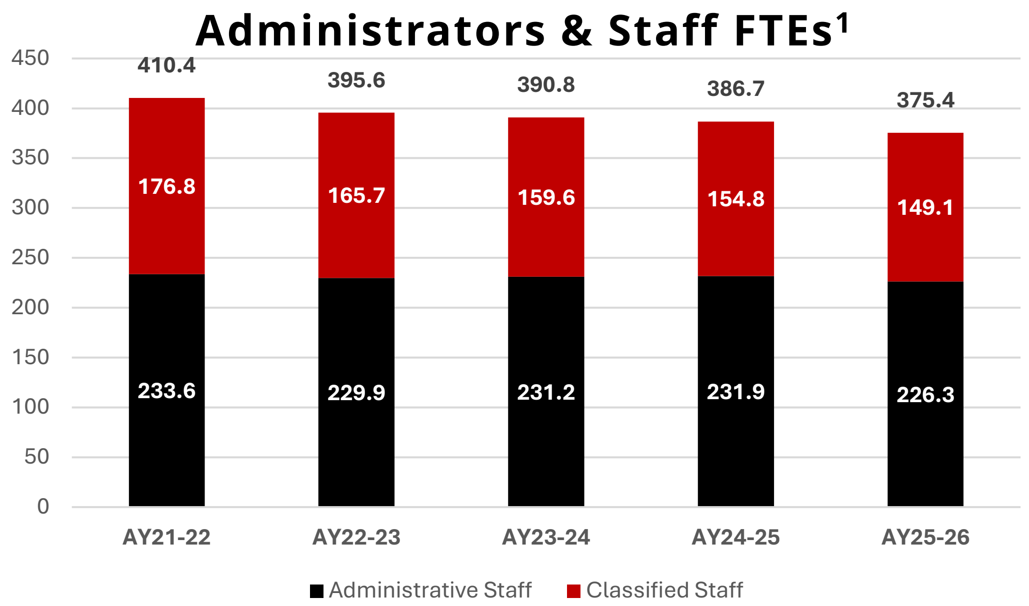
2024 Annual Gate Count
103,794



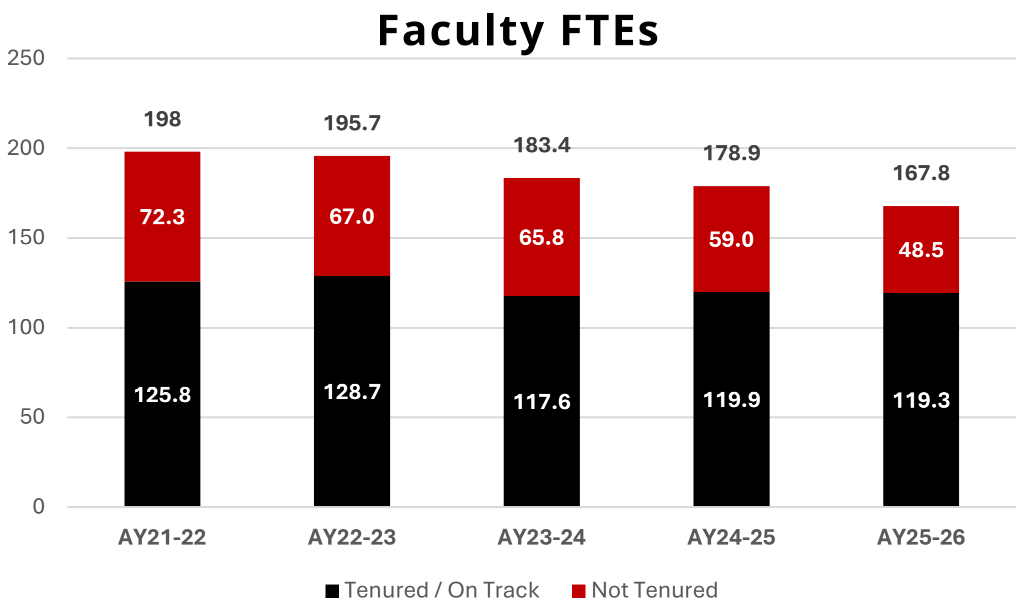
Sources: IPeds. Number includes Librarians FTE staff, Other professional FTE staff, All other paid FTE staff (Except Student Assistants), Student assistants FTE. 2019_ACRLStatistics_Workbook_xlsx, 2024 ACRL Survey

Staffing Reductions Concentrated in More Flexible Roles

From AY21–22 to AY25–26, **total FTE decreased almost 11%**, driven by a steeper reduction in faculty FTE (~15%) than non-faculty (~9%), and with declines concentrated in non-tenured and classified staff.



- From AY21-22 to AY25-26, **total administrators & staff FTE declined ~8.5%,** with most of the reduction in classified staff (15.7% reduction) versus administrative staff (~3.1% reduction).



- From AY21-22 to AY25-26, **total faculty FTE declined ~15.3%**, a steeper reduction than admin/staff.
- Faculty declines are **primarily in not tenured FTE** (~33.0% reduction), while tenured/on track FTE is comparatively steady (~5.4% reduction).

***Reductions skew toward more flexible segments (i.e., not tenured, classified),** aiming to reset near-term costs, but leaving a **relatively fixed tenured and administrative core that limits alignment of costs to revenues** without service and academic tradeoffs.*

[1] *Excludes student FTEs and FTEs from other wage agreements*
Source: SOU FTE Snapshot