HIGHER EDUCATION COORDINATING COMMISSION

SOU Short-term Financial Sustainability Request

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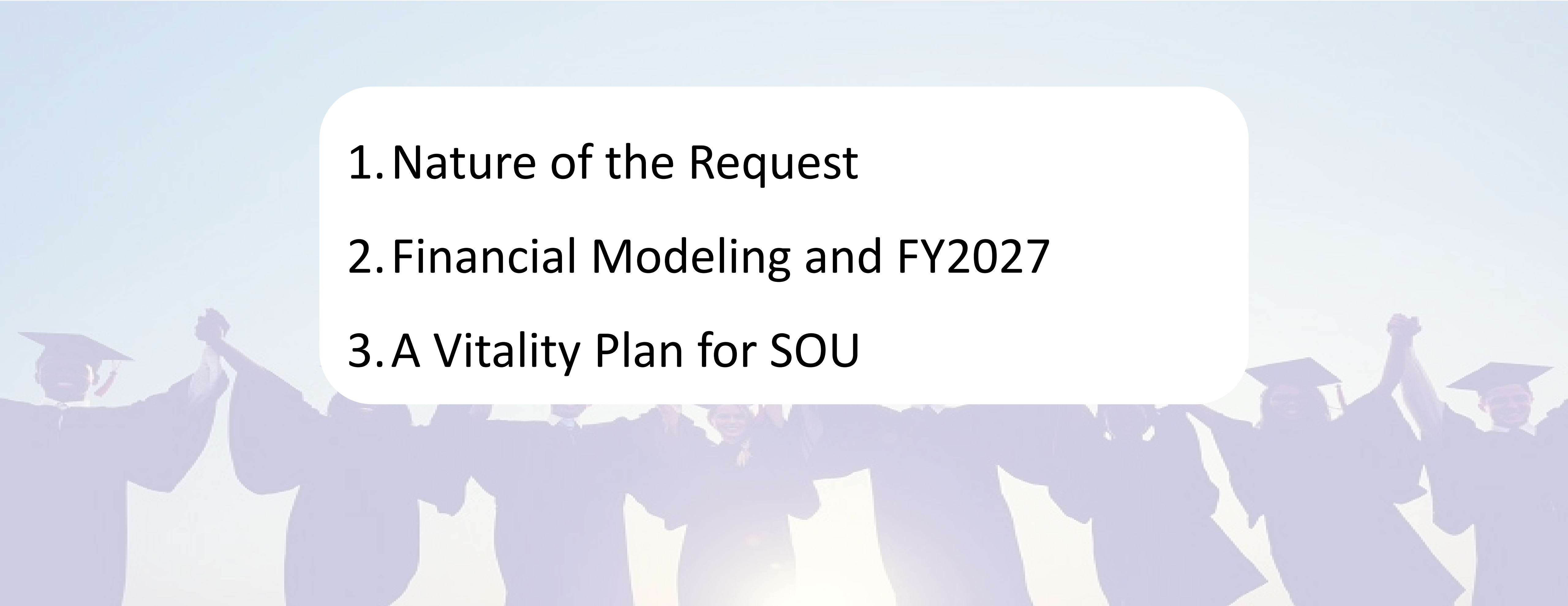
Presentation Overview



1. Nature of the Request
2. Financial Modeling and FY2027
3. A Vitality Plan for SOU

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Nature of Request

Related to the projected operational funding shortfall for Southern Oregon University (SOU).

Acknowledge receipt of two separate reports.

HECC requests that the Emergency Board acknowledge receipt of two reports in satisfaction of budget notes in HB 5204 (2026).

Release $7.5M of SPA established in HB 5204 (2026).

HECC requests that the Emergency Board release half of the SPA for immediate distribution to SOU to address a projected shortfall for FY2027.

Budget Note #1: Financial Modeling and the FY2027 Plan

Budget Note Language

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 account experts, demonstrating the institution's ability to meet all obligations through Juen 30, 2027."

SOU Financial Modeling Report

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

The Current Financial Situation

The financial fragility of SOU has been well documented and predates board independence.

During four of the past five years, SOU's general fund budget has experienced an operating deficit with spending growth outpacing revenue growth.

SOU currently operates at a deficit of $12M (all funds; 11%). The deficit is expected to grow to $17M by FY2030, or 13% of spending.

SOU's general fund has largely been exhausted.

Assessments of SOU's Cashflow Forecasting

HECC Staff Review

- HECC staff performed a cursory review of key assumptions.
- Assumptions were noted as reasonable given historical data and context.
- Given uncertainty, a more conservative approach may be warranted.

DAS Led Team

- The Governor tasked a team of reviewers to conduct a high-level assessment.
- DAS, HECC, and three universities (UO, OSU, OIT)
- Found the assumptions were likely on the "optimistic side of reasonable."

Consultant Review

- CLA contracted to evaluate assumptions and assess forecast in detail.
- Found that the forecast reflects continued constrained liquidity.
- Determined the forecast is detailed and technically robust.

Meeting all Financial Obligations

SOU has provided an operational plan with associated financial modeling demonstrating an ability to meet all financial obligations through June 30, 2027.

- The cashflow forecast assumes the consumption of remaining cash reserves but the protection of a restricted fund required to maintain debt service.
- With the distribution of the SPA, the forecast shows SOU will remain solvent and make all debt service payments.
- The forecast further shows SOU will require the remaining balance before the end of 2026. HECC expects to make this additional request in the fall.

Required Monthly Reporting

The budget note also directs SOU to provide monthly financial statements including an updated cashflow forecast to HECC, DAS, and LFO.

SOU has been asked to provide updates on key assumptions supporting the cashflow forecast and to detail related contingency planning.

Including enrollment, existing savings, wage growth, benefit contributions, housing occupancy, auxiliary deficits, and other factors.

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Budget Note #2: Future of Higher Education in Southern Oregon

Budget Note Language

Directs 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.

Option Path Report

- Work began in early March with pre-launch planning on project workplan and to identify partner groups for engagement.
- The contractor conducted 14 panel interviews and focus group meetings with 50+ campus and community members and received over 750 responses in feedback loop.
- The contractor assessed SOU’s financial health, built a status quo forecast, and developed and prioritized a catalog of strategic options noting the projected financial impact. An implementation roadmap was also provided.

Decision Timeline

April 28, 2026 – The SOU Board of Trustees held a special meeting during which the contractor previewed themes and findings.

May 4, 2026 – Deloitte released a financial and strategic assessment. They hosted an online townhall to present the Option Path to the community and public.

May 5, 2026 – SOU Board of Trustees listening session; invited testimony included ASSOU, Faculty Senate, Staff Assembly, APSOU, and SEIU.

May 8, 2026 – SOU Board Meeting; received the Option Path report and heard testimony from campus groups. Adopted a four-part resolution.

Option Path – Stabilization Opportunities

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

Student Retention & Completion Keep current students enrolled progressing to graduation	**Academic Focus** Narrow degree array while preserving programming for 78% of the current student body	**Shared Services** Consider university and other partnerships for back-office, campus, and student services to reduce costs
Fundraising & Community Engagement 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

Option Path – Priorities for the Future

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

Academic Model

- Streamline degree pathways
- Build flexible, stackable credentials
- Expand adult-friendly delivery

Enrollment Paths

- Launch early commitment pathways
- Re-engage stop-out students
- Strengthen transfer pipelines

Growth Engines

- Prioritize growth segments and track pricing strategy
- Create completion-first options
- Deepen workforce-connected offerings

Potential Annual Savings

Options	Description	Amount
Academic delivery efficiency and unit closures	Setting the average course size to 22 students; sunsetting specific academic units; raising full-time faculty instructional teaching loads to minimum targets.	$6.8M – $8.5M*
Shared services across administration, campus operations, and student life	Outsourcing transaction-heavy, rules-based functions; sharing select services to achieve scale without compromising quality; partnering on student facing services with local community college.	$4.6M – $7.3M
Auxiliary cost cutting initiatives	Adjusting staffing, dining locations, and inventory levels. Increasing fundraising for athletics. Utilizing additional student labor in rec center. Optimizing parking and JPR.	$2.5M – $3.2M
Healthcare benefits and salary freezes	Finding flexibility to enable SOU to use a different healthcare model. Introduce hiring, merit, and COLA freeze.	$1.7M – $3.0M
Total		**$15.6M – $22.0M**

*Figures for academic savings are inclusive of the $2.7M already identified in the SOU Resiliency Plan.

May 8, 2026 – SOU Board Meeting

The SOU Board acknowledged the university's current financial trajectory is unsustainable and requires immediate change. The adopted board resolution:

Acknowledged receipt of the Option Path as presented on May 4, 2026.

Set a June 18, 2026 deadline for the creation of a realistic, achievable Vitality Plan using the Option Path as a resource.

Directed staff to provide monthly implementation updates starting July 2026.

Directed staff to fulfill all the obligations conditioned upon SOU for the SPA.

Creating the Vitality Plan

SOU leadership expressed the need to produce creative approaches consistent with SOU's values.

Two workshop groups created: future academic portfolio and future administrative footprint.

Intended objectives of the Plan:

- Cost savings of $20M/year.
- Mindful of current and future environment of higher education.
- Actionable for implementation in one year or less.
- Student Centered.
- Reflects the identity and values of SOU and the region.
- Transformational and frame-breaking.
- Integrated with community employers and partners.
- Selflessness and focused on university preservation.

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