
MEMORANDUM

TO: NEIL BRYANT, CHAIR, HECC
COMMISSION MEMBERS
FROM: BRIAN FOX, DIRECTOR, PUBLIC UNIVERSITY BUDGET & FINANCE
SUBJECT: EASTERN OREGON UNIVERSITY DEC. 2015 CONDITIONS REPORT
DATE: DECEMBER 4, 2015
CC: BEN CANNON, EXECUTIVE DIRECTOR

Framing and Overview

This memorandum is written to frame the Commission’s duties regarding Eastern Oregon University and the conditions established between the institution, the former Oregon State Board of Higher Education (OSBHE) and the Governor. These conditions are attached, as is an agreement reached between the HECC and the institution as to the structure and framing of the December 10th report.

The HECC’s role with regard to the second review – the first involving the HECC – is to provide feedback and recommendations to the institution as to their progress in meeting the conditions. The presentation, financial and operational metrics, as well as interviews and analysis by HECC staff will provide the informational basis for this report. This is an opportunity for the Commission to interact directly with institutional leadership, to ask questions and to probe issues and efforts confronting the institution. The feedback from the Commission to the institution is the single formal opportunity for the Commission to communicate its expectations around institutional performance as it relates to mission refinement, program rationalization, contribution towards 40-40-20, and financial stability.

The report to the Commission from the institutions is designed to showcase the institution’s efforts related to mission refinement and decision making framework – on a go forward basis. Both universities have had recent leadership transitions and their Board of Trustees took control of the institutions less than six months ago. Neither has had an opportunity to undergo a strategic planning process and both are still adjusting to the new funding and governance paradigm. With that in mind HECC staff has asked the institutions to focus on what systems they have put in place to better manage their institution, what threats and opportunities confront them and how their leadership team and Board of Trustees will make decisions about the strategic direction of the institution.

The conditions establish a set of metrics and information which the institutions are required to provide to the Commission and are largely focused on the financial stability and operations of the institution. These metrics however are means and not an ends. The overarching purpose of the conditions is to ensure that “the institution effectively demonstrates a clear institutional focus and durable niche within the portfolio of public higher education assets in Oregon and that this niche:

- Supports the state's and region's civic, cultural, economic and 40-40-20 needs;
- Enables a cohesive and sustainable enrollment model; and
- Supports the long-term viability of the institution.”

The OSBHE believed that the lack of “clear institutional focus” and establishment of a “durable niche within the portfolio of higher education assets” were the cause of the institutions long-term financial instability. Correcting this will allow the institutions to be successful over the long-term.

Background and Staff Observations – Eastern Oregon University

EOU's newly appointed president and senior leadership team understand the challenges which have confronted EOU over the past decade and are taking them head on with a clear eyed view towards positioning the institution for long-term success. The most challenging portion of the Sustainability Plan are now behind EOU. They had a significant reduction in force, which included a painful yearlong notice period which ended this past summer.

The executive leadership team, deans, director of institutional research, college staff and others met with HECC staff to discuss current plans, processes and future opportunities. The open and collegial nature of information sharing and willingness to discuss frankly past efforts and continuing initiatives of the institution is noted and appreciated. Nothing could be more clear from these meetings; the administrative team understand the issues that confront EOU and are moving aggressively to position the institution for success. It is also clear, that EOU is at a precarious point with enrollment which continues to decline and a minimal fund balance to absorb any adverse shocks.

EOU has issued financial restructuring or sustainability plans on numerous occasions over the past decade. Its enrollment increased during the Great Recession as students from the area, and elsewhere, enrolled seeking a shelter from a brutal recession in the Eastern reaches of the state. As the depths of the recession came to close EOU's enrollment declined precipitously. In the 2012-13 academic year EOU had 3,133 FTE, during the 2014-15 academic year that fell to 2,614. This represents a 16.6% decline in enrollment in the span of two years. Enrollment on an FTE basis declined an additional 4.9% as of Fall 4th week 2015, compared with the same period in 2014. Enrollment at EOU is roughly where it was a decade ago. The institution expects that enrollment will stabilize over the coming years.

While enrollment increased during the Great Recession EOU expanded course offerings and programs. This growth in online programs, though expanding the reach of EOU, was done with a compensation structure that was unsustainable and over time ate at the core of the on-campus experience. Analysis by OUS in preparation and support of the current Sustainability Plan showed a lack of effective institutional control and systems at the college or leadership level to examine, understand or control course overload, compensation and course release. As enrollments declined an unsustainable cost structure came to the fore and forced quick and drastic action. There were two primary issues at play at Eastern Oregon University; 1) a lack of control regarding program structure, course offerings, release and overload, and 2) volatile and declining enrollment.

Both issues are, in varying portion, partly the result of a hallowed out management team that did not have sufficient capacity to understand or willingness to effect the operational condition and structure of the institution nor the capacity recruit and develop students. This was the result of many cycles in which administrative positions were eliminated, furloughed or not filled in order to preserve the academic enterprise of the institution. This is a laudable goal which, over time, reduced the capacity of the institution to master its own destiny.

The efforts and issues which have confronted EOU are outlined in detail in its report to the OSBHE in May of 2015 and in the Sustainability Plan issued in June of 2014.

HECC Staff spent an intensive two day period provided technical assistance and conducted a site visit with members of EOU's executive leadership team, and other staff at the institution. Since that time, EOU has provided significant and detailed information. At the time of writing it has not submitted a complete set of retrenchment metrics, but is expected to do so. The site visit and exchange of material has surfaced much of the good work behind the rapid turnaround at EOU.

Let it be clearly stated, EOU under its interim president and its newly appointed president has effectively and deftly managed through the most acute phase of its turnaround process. It has also adopted many of the systems and structures which are necessary for it to succeed in the long-term. There is now, as there has not been in preceding efforts, a clear institutional commitment to set itself on sure footing. The site visit has also raised a series of areas where EOU is continuing or needs to continue efforts. Some observations and questions for the Commission to keep in mind while reading EOU's material and when hearing from their leadership team follow;

- EOU has seen highly volatile enrollment, with large increases during the Great Recession and even quicker declines through this past fall. It stands today as a significantly smaller institution than it was only four years ago. The cohort of young people in its "back yard" is declining and what remains is becoming more diverse. The natural resource driven economy of eastern Oregon continues to struggle. What is EOU's recruiting, enrollment and financial aid strategy and does it support access, retention and completion given this context?
- The movement into online learning and course offerings was a strategic advantage for EOU during the past decade. However, this learning space has become more and more crowded and competitive. Including the entrance of other in-state public institutions and institutions throughout the world. Can EOU remain a competitive option for students in its online programs and what is its durable advantage in a space bookended by free online MOOCs, reasonably priced competency based learning models, and marquee institutions with strong and broadly known brands?
- In order to serve the dispersed population of eastern Oregon EOU expanded into online and on-site education. The former reached students in their homes and communities across eastern Oregon and the wider world, the latter placed EOU staff on community college campuses and allowed for baccalaureate level learning using available teaching and learning space. However, today EOU's total enrollment online is greater than its on campus

enrollment. Less than 40% of its total SCH, only approximately 900 FTE as of the 4th week of Fall Term 2015, was generated in in-person courses on its La Grande campus. How will EOU sustain a robust campus life and community presence with a relatively small student body located in La Grande, and how will it expand its enrollment channels to grow this population?

- EOU has pared back its course offering significantly and is re-focusing on its roots as a normal school and on programs and partnerships which directly meet regional needs. The paring back effort has been clear, deliberate and seen through to fruition over a very short time frame. What criteria or decision framework does EOU use to determine what it should or should not offer in the future and how does it define its niche within Oregon?

Material

This transmission includes a significant amount of material for Commissioners to read and to weigh in preparation for the HECC meeting on December 10, 2015. Staff recommends that Commissioners begin by reading the conditions as established by the OSBHE and agreed to by the Governor and the administration of EOU and subsequently the framing document for the December 2015 check in. This will provide grounding for the Commission's and the institution's duties and responsibilities. The reports provided by the institution, both written and in presentation form as well as financial and operational information compiled by HECC staff, as well as reports submitted by the institution to the OSBHE in May 2015 should then provide background information which will allow Commissioners to be fully versed in the issues and accomplishments of the institution.

HECC Response

To close where this document began, the HECC's role with regard to the second review is to provide feedback and recommendations to the institution as to their progress in meeting the conditions as approved by the OSBHE. This is an opportunity for the Commission to interact directly with institutional leadership, to ask questions and to probe issues and strategic landscape confronting the institution. Similarly, this is a forum to better understand the opportunities and efforts the institution is exploring and to raise areas for further exploration by Commission staff in preparing Commission feedback. This feedback from the Commission to the institution is the single opportunity for the Commission to communicate its expectations around institutional performance as it relates to mission refinement, program rationalization, contribution towards 40-40-20, and financial stability of the institution.