



EASTERN OREGON
UNIVERSITY
PRESIDENT'S OFFICE

November 14, 2013

Colleagues,

Now that we have passed the midway point of our fall academic term and our enrollment numbers are being certified by OUS, it is an opportune time to provide an update on the implementation of the Sustainability Plan and our ongoing fiscal pressures and challenges. In the spirit of full transparency, as well as the importance of providing critical details, this memo is of length. I encourage you to read it in its entirety so that you are well informed of the direction in which our university is heading in the near future.

This report addresses three key areas:

1. An update/scorecard on the ongoing results of last spring's update to the Sustainability Plan, as well as work that must continue.
2. An explanation of our enrollment and its impact on campus finances.
3. An overview of our fiscal realities/challenges and the next steps we need to take to create long-term sustainability for our university.

Sustainability Update/Scorecard – Current Results

In total, the goal of our update to the Sustainability Plan was to create a net savings of \$2.2 million through various initiatives—primarily cost savings through changes in non-instructional and instructional recommendations. It is critical to note that our goal of \$2.2 million in savings was predicated on our enrollment remaining flat for this academic year. (As the next section in this report discusses in detail, our enrollment did not remain flat, but instead decreased by 7 percent.)

Regarding the non-instructional activities, the following is a synopsis of the progress of the savings:

- A. We are on track to realize the full \$250,000 through the implementation of a furlough program for all executive level and administrative faculty members.
- B. Due to the work of the Tuition Remission Task Force, the current projection for tuition remission savings is exceeding the \$225,000 level that was indicated in the Sustainability Plan, and we are tracking to end the year at closer to \$275,000 in reductions of remissions.
- C. The projected salary savings articulated in the plan in combining staff positions and eliminating five others has been implemented and is holding steady.

- D. As stated in the Plan, we have reduced search-related expenditures and are on target to achieve the estimated \$40,000 savings level (and by not engaging search firms, we expect to achieve additional savings as well).
- E. While we projected \$80,000 in cost-recovery through the implementation of a convenience fee for credit card usage, issues with our banking services prevented implementation in fall term. We are set to begin collecting the fee in December, and though we will not reap the projected \$80,000, we expect to recover approximately \$50,000.

As articulated in the Sustainability Plan, the three key goals of our broad instructional and academic program review and subsequent instructional and program management are as follows:

1. Programs structured to support student entrance, retention and completion, regardless of location.
2. Programs structured to reflect sustainable faculty staffing levels, both regular and fixed term, relative to benchmarked faculty FTE data from comparable programs.
3. Programs structured to reflect sustainable faculty workload assignment, avoiding reliance on regular and fixed term overload.

The key broad strategy areas for our instructional programs focused on 1) management of low-enrolled courses; 2) management of instructional load and overload and 3) management of instructional release time and service load. We have come to understand that while all three of these broad areas possess distinct dimensions, they also interact constantly in very profound ways, marking the underlying health and long-term sustainability of our academic enterprise and thus of our institution.

To date, our efforts focusing on the first two areas—management of low-enrolled courses, instructional load and overload—have kept us solidly on track with the planning accomplished last spring in our Sustainability Plan Update. In comparing July to October of last year to this year, we have seen a reduction in adjunct salary pay by 47 percent and a reduction of 17 percent in overload expense. At this rate, we will achieve our overall projection in these areas.

As part of the inclusive strategy in managing faculty workload, this term we implemented a common practice of cancelling low enrolled, (defined as under 11 students), in-loaded lecture classes unless they are required for graduation or could be run as overload or taught by an adjunct. Courses that are low enrolled are simply too costly to run. This fall, 42 course sections were cancelled under this practice, affecting 87 unduplicated students.

Various individuals have asked me what the financial impact of this action has been. In short, if all 42 courses had run, they would have generated 338 SCH and tuition revenue of \$52,521 (each individual student file was used to determine the correct tuition code: e.g., resident undergraduate/graduate; non-resident undergraduate/graduate; Western Undergraduate Exchange rate; staff rate; and online/onsite or on campus.) In addition, \$17,914 in state appropriations would have been generated through the Resource Allocation Model (RAM) for a total revenue of \$70,435. If these courses ran, 110 in-load credits would have been accumulated at minimum, equating to 2.4 full-time faculty. To calculate the cost of direct instruction, it was determined to use the average salary of a faculty member and the OPE, which is \$78,075 or \$1,735 per load credit. Therefore, to

teach these courses, EOU would have direct expenses (i.e., salary and OPE, including no overhead) of \$190,850. As a result EOU would have incurred a net loss of \$120,415, at minimum, in resources to run these courses.

Of the 87 students, 12 ended up taking additional courses with more credits beyond what they originally signed up for; 30 students enrolled in an additional course of equal credit; 28 signed up for other courses but had lower total credits; two dropped out completely and 15 did not sign up for any additional courses. In total for all of the students, 156 less credits were assigned after they were informed of the courses being cancelled. This is a savings that will be realized in the reallocation of resources because these 110 load credits have already been, or will be in upcoming terms, in-load credit hours.

The following tables provide additional details on the fiscal impact of this practice:

Summary Data	
Total sections cancelled Fall 2013	42
Unduplicated students affected	87
Cumulated highest SCH before cancellations of all 87 students	1,022
SCH of all 87 students after cancelations	866
Net highest possible loss of SCH	156

Fiscal Impact of Running the 42 Low Enrolled Sections				
SCH	Instructional Cost	Tuition	RAM Funding	Net Fiscal Impact (Or, potential savings by not running)
338	\$190,850	\$52,521	\$17,914	(\$120,415)

Performing this fiscal analysis shows us that including specific tuition and RAM funds will overstate income because the impact of remissions, etc., was not included. In addition, by using average salary and excluding any over-head expenses, we are understating expenses. A conservative estimate by the budget office projected the actual figure could be closer to \$250,000. Therefore, the stated net fiscal impact on resources is lower than actual. Furthermore, as stated by a member of the Budget and Planning committee, if these 110 load credits are not applied to other courses, either this term or in the subsequent two terms, then this practice would not succeed in producing a positive fiscal impact for EOU. The deans are actively managing load and have assured me that these load credits will be utilized appropriately.

The combination of all of our efforts to manage load, revise pay scales for adjuncts, overload and course management of balancing overload and in-load, we are seeing very positive early results. In short, we are tracking well on the general academic/instructional recommendations in the Sustainability Plan Update.

Relative to the program-specific recommendations, with respect to both the specific recommendations and to the broader curricular recommendations, we have seen an enormous amount of committed effort by faculty across all three colleges devoted to pushing the necessary discussions. While it is difficult to attach distinct savings to these numbers, our provost and deans have been deeply pleased with the overall responses from our program faculty to our challenges.

Sustainability Plan Update/Scorecard – Necessary Additional Work

In light of our current enrollment picture outlined above, perhaps the greatest gains we can yet realize relate to the goals we developed for our Sustainability Plan Update, centering on the three follow-up operational areas noted at the end of the Broad Instructional Review and Recommendations in the Update. These practices for our long-term sustainability, taken together over time, will further streamline and bring greater efficiencies to our academic enterprise. The operational areas and accompanying practices are listed as follows:

1. Program completion streamlining and access for students at-a-distance.
 - a. Eliminate hidden prerequisites for all program areas; clearly list prerequisites for program requirements on check sheets.
 - b. Avoid biannual/annual and term scheduling conflicts for program requirements, both within programs and across closely connected programs.
 - c. Maintain close control of the total number of required major and minor credits. Generally speaking, for students graduating with 180 credits, a major should require at the most 80 credits. (The ability to take general electives, particularly at the mid and upper-divisions, lies at the very core of liberal arts institutions.)
 - d. Take care that alternate year courses—especially program requirements and particularly those that are sequenced—maintain student access reflected by the prevailing need in those course areas.
 - e. Drop DFL (Deficient Foreign Language) requirement for transfer students.

2. Resource-based approach to curricular management and scheduling.
 - a. “Add one/drop one” approach to curricular development.
 - b. Minors should be subsets of majors, not separate curricula with differing requirements.
 - c. Keep the number of concentrations within a given program area as low as possible, and ensure that any courses common to ALL concentrations are in the required core of the major, not just in the concentrations.
 - d. All courses offered in a program area in a given term should be part of that program area’s major/minor/concentration.
 - e. Adhere to schedule blocks and utilize ENTIRE instructional day, not just “prime-time” in the middle of the day.
 - f. Scheduled class meeting times align with the number of credits carried by the course.

3. Program marketing and communications planning.
 - a. Develop both university-level and program-level communications strategies focused on university and program strengths, aka undergraduate success.
 - b. Highlight the successes of our students and tie those successes to their program-specific experiences.
 - c. Develop more specific resources at the college and university levels for faculty support with program area web development and maintenance.
 - d. Further extend efforts and dialogue aimed at more robustly and frequently connecting prospective students with program area faculty.

In concert with continuing efforts, our current and projected enrollment suggests the wisdom that pressing as far as possible in these areas must be coupled with preparing to go even further with our program-level planning as we seek to better match our program mix with our enrollment levels.

Enrollment Update

Because enrollment figures drive our fiscal discussions, it is crucial to discuss the decline we are experiencing. As we have reported in various forums over the past several weeks, our current enrollment is lower when compared to last year. The table below provides this information based on headcount, student credit hours (SCH) and full-time equivalence (FTE):

	Fall 2011	Fall 2012	Fall 2013
Headcount	4298	4208	4157
Student Credit Hours	42968	43025	39997
FTE	2905.6	2903.3	2694.1

The table above represents a 1.2 percent decline in headcount and a 7.0 percent decline in SCH, being driven by two significant factors. First, we have witnessed substantial growth over the past five years. In this period ending last academic year, we witnessed an increase in enrollment of over 26 percent. This included for example, in 2009, the largest freshmen class in our history of 474 students. Such significant growth would be difficult to replicate in any environment, and as a result, we saw our largest graduating class in history last year with 876 students receiving their degrees. A second contributing factor is the decline of new students, both first-time freshmen and transfers. The following table provides this detail for the last three years:

	Fall 2011	Fall 2012	Fall 2013
First-Time Freshman	385	426	371
Transfer Students	664	662	569
Total New Students	1,049	1,088	940
Retention Percentage	71.7	63.6	63.77

In analyzing our admissions data, an interesting trend has emerged that we are addressing. Over the past three years, we have seen applications increase; however, our yield rate (the percentage of students who enroll of those who apply) has declined significantly. This past year, our percentage is 35.2 percent, which is slightly lower than the reported national average of approximately 37 percent. A growing trend is for students to apply to at least seven universities, resulting in a lower yield rate. Along with this change is the marked decline in our number of transfer students. This, I believe, is the beginning of a new trend because for the second year in a row, Oregon community college enrollments have seen a significant decline. I mentioned in my previous letter that these trends prompted us to initiate an Enrollment Task Force with the express goal of assisting in developing strategies and tactics to increase our competitiveness in the higher education marketplace. As a result, even in difficult financial times, it may be necessary to invest in technology enhancements with the express aim of increasing our yield rates and communicating more effectively with potential students—both first-time and transfers.

We have implemented a plan to increase the number of incoming students for winter term, something we have never tried before. We find that many students who have applied and been admitted to EOU for winter have not enrolled at any institution. We are aggressively reaching these individuals to determine if they have made a decision and will be enrolling this upcoming term. Since this is a new effort and we cannot accurately project the results, I have not included any projections in revenue or enrollment forecasts for winter term.

Finally in regards to our enrollment, national and statewide trends indicate that this decline may very well not be a one-time decrease. As I mentioned, we have grown significantly over the last five years; however, this growth in part is easily attributable to the economic recession, and as such, we may now be experiencing a “right-sizing” of enrollment over the next few years (i.e., further decline.)

Current Fiscal Challenges and Immediate Next Steps

As mentioned above, in establishing the budget baselines for this fiscal year and the savings needed from the Sustainability Plan, we, along with OUS, anticipated flat to slightly declining enrollments. Our enrollment did not meet these projections.

At the current time and in taking our Sustainability Plan savings into account, due to the decline in tuition revenues and current expenditure levels we are projecting expenses to exceed revenue. Last year, we experienced a loss of \$2,016,000 (expenses exceeding revenue). Based on current levels of revenue and expenditures, we are projecting that by fiscal year-end, expenses will again exceed revenue by approximately \$1.7 million. It is critical to note that based on the savings and flat enrollment projected in our Plan, we forecasted EOU would “break even” this year. In essence, an additional \$1.7 million has compounded the \$2.2 million that we needed to save as a result of the Sustainability Plan.

During this fiscal year, we are projecting to continue to have a positive cash flow based on previous year’s reserves. However, it is critical to note these resources are limited and we **cannot rely on them to cover operations beyond the next fiscal year.**

Equally important to know is that based on recent accounting adjustments, primarily the “bad debt” write-off, and the combination of revenue and expenses as outlined above, we are projecting a negative fund balance of 1.9 percent for this fiscal year (if the bad debt write-off did not occur, our fund balance would have been closer to 3.0). This can be seen in EOU’s Quarter One Management report in the Finance and Administration Docket found here

www.ous.edu/sites/default/files/state_board/meeting/dockets/ddoc131115.pdf.

Our negative fund balance is obviously not a sign of fiscal strength; however, it does not mean our institution is insolvent as of this time. We have cash flows and assets not within the Education and General fund (i.e. auxiliaries and designated operations that fall outside of E&G) to assist in the short-term, but this is not a permanent solution.

It is imperative that we continue to be ardent in fully implementing our Plan, as well as proceeding with further cost reductions. These efforts must include the above-mentioned portions of the Plan, as well as new ideas.

While we have made significant strides in load management as suggested by recent reports, we must continue to make significant progress in this area especially as it relates to course release time that specifically lowers the number of load credits dedicated to teaching. I am asking the deans, in consultation with the provost, to work with faculty in these efforts to ensure that we are properly allocating load credits consistently across the institution. Furthermore, I will be working with the acting vice president of Finance and Administration to develop an ongoing analysis of our costs structures to ensure we will continue to meet all of our obligations. Finally, we are communicating and working with the Chancellor's Office and the State Board of Higher Education so that they are well aware of our continued fiscal challenges and the plans we are implementing.

As an overlay to this discussion, one cannot miss the connection between this and the conversation of future governance models. Some believe that a connection with Oregon State University or the University of Oregon would be a "magical windfall" in settling our fiscal challenges. However, it is important to note and understand clearly, that any such affiliation with a larger university would not, in fact, include the transfer—directly or indirectly—of funds that would assist, let alone solve, our fiscal challenges. This point has been made abundantly clear to the other university presidents and to me. Therefore, given the measures we have taken to date along with the decline in enrollments, it is critical that we continue with our own efforts to develop and implement a process to look for further opportunities to match available resources with program patterns.

Developing our Pathway Forward

We have made some significant strides that will result in long-term improvement of our fiscal position; we are facing incredible and significant changes in the manner in which we will be governed; the "system of higher education" in Oregon is in the midst of considerable change with the empowerment of the Higher Education Coordinating Council, the advent of new boards and the disbanding of the OUS as we know it by July 1, 2015.

In retrospect, our past efforts in dealing with fiscal challenges focused on how we can do things better and more efficiently, which is important, but they have not reversed the cycle of expenses exceeding revenue. While some of our fiscal realities are superimposed by external factors including significantly declining state support, shifting demographics, political agendas, economic and cultural alterations, as well as perceptual changes of the value of a college experience, among many other dimensions, they are no less our fiscal realities. And while our retrenchment efforts thus far have indeed fundamentally improved EOU, our continued trajectory of expenses exceeding revenue creates the need for further planning, and ultimately, reductions to our cost structure. Compounded by our enrollment decline, we are facing another year of expenses exceeding revenue by a significant amount. As iterated in the enrollment discussion, it is highly possible that our enrollment will continue to reflect national trends and we will see some further decline.

While our efforts to manage our fiscal efforts have been monumental, we have arrived at a pivotal and defining moment for Eastern Oregon University. We cannot just continue to slowly peel away at our fiscal situation and handle it in isolation of the larger contextual issues at hand. This is the time we must ask ourselves what the future of Eastern will be and how our mission and role connect with the regions and communities we serve. We must ask what our overall degree programs should look like to meet the needs and goals of not only our direct communities, but also the larger statewide vision of higher education in the new context that is being developed. We must challenge long held assumptions and practices, develop new ideas, evolve our curriculum and programs and in many ways, reinvent EOU in this new environment. In doing so and in light of our core values and mission, we need to examine our current role and ask what it should be in the future.

Accordingly, the provost will work with faculty senators, program-level faculty and staff members to constitute a task force aimed at developing program-level recommendations to help us deal proactively with these further challenges and opportunities. This task force will be critical in making significant decisions regarding our future collective curriculum and programming offerings. The questions I am asking this task force to address are:

1. What degrees are required to serve our institutional mission?
2. What program level offerings across our academic disciplines are required to serve these degrees given our role and mission?

I am working directly with the provost now to set this task force in motion and communications will be forthcoming. The provost will seek nominations for the task force immediately, with the goal of setting the group in motion by the end of fall term. The task force will deliver draft recommendations to me and the provost, as well as our shared governance bodies, by the end of February. Their work must have the freedom to explore the many options that are afforded us and not be hindered by what we currently do or don't do; rather their focus needs to be on what we will become over the next three to five years and put in motion the steps now to achieve that ambition. This moment, given all of the changes and challenges before us, is not the time to resort to the status quo; it is time to build on the strengths as outlined in our mission and to chart a new direction for our university. The task force must determine the initial phases and then it will be up to all of us to assist in moving EOU forward.

These are clearly difficult, ambiguous and trying times, and there are no easy answers. We must continue to serve our students to the best of our abilities and perform to our high professional standards. And, we must work now to ensure the future of Eastern is as robust as its history. I welcome your comments and look forward to the robust planning that will occur in the weeks to come.

Respectfully,

Bob

Bob Davies
President

