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SOU's future in the balance with financial crisis

By Vickie Aldous and Emma Maple of the Daily Courier

Southern Oregon University must do a better job matching programs to business and workforce needs, streamline paths into careers and consider eliminating several money-losing majors, according to a consultant's report.

Earlier this month, SOU's Board of Trustees voted to accept the report by Deloitte consulting firm about how to close a $20 million budget hole. But the board also tasked SOU President Richard Bailey and the rest of the university's administration with using the recommendations as a framework to craft a creative plan better suited to SOU.

"It is an existential crisis. SOU does need to transform," Bailey said on Friday in an interview about the report and next steps for the university.

SOU is spending more than it takes in, and must develop a balanced budget or risk losing $15 million in bailout money approved by the Oregon Legislature.

Even with the bailout, the university will be unable to meet its financial obligations by the fall of 2027 unless it makes dramatic changes, the Deloitte report said.

Universities across Oregon are competing for a shrinking pool of young people who are more skeptical about the value of a traditional four-year college degree and whether it will lead to a job that covers the high cost of living. They're also fearful of taking on student loan debt.

Bailey said he wants to help students get through college faster and with less expense.

"It's my goal to work toward a faster track where every academic discipline has a path to a three-year degree," Bailey said of bachelor's degree programs.

In many ways, the Deloitte report indicates SOU should act more like Rogue Community College, which has a long track record of consulting with businesses about what programs to offer, and creating flexible, faster paths into practical, well-paying jobs.

"We are not going to become a community college, but that doesn't mean we can't still learn lessons from our friends in community college," Bailey said.

RCC tailors programs in healthcare, industrial manufacturing, computer science and other fields to business and student needs, RCC Provost and Vice President of Student Learning and Success David Koehler said in an interview this week.

"First and foremost, RCC does a really good job of working with our industry partners to make sure our programs are relevant to the workforce," he said. "We meet with our partners and review our curriculum and we listen to their suggestions about what we may need to change."

SOU has added programs, too, in response to workforce and business needs, Bailey said.

With healthcare the top industry in the Rogue Valley, SOU created a biomedical sciences program to add to its other health programs.

Clinical mental health counseling was another addition to meet skyrocketing demand, Bailey said.

Koehler said RCC graduates earn at least 25% more than their counterparts who don't attend. RCC works to get that message across to prospective students.

"The return on your investment at RCC is worth your time and money," he said.

Bailey said getting a bachelor's degree remains a solid investment, with people earning on average $1.2 million more over their lifetimes than people with only a high school diploma.

But he said SOU does need to face the reality of challenging conditions.

"The university, just like any college, operates in a marketplace. Students — rightfully so — are making value judgments and decisions based on an expected return on investment," Bailey said.

He said SOU does consult with businesses about its programs and has examples of great partnerships, including internships for its business administration students out in the community.

But Bailey said he is taking the critique to heart that SOU needs to do a better job, especially when it comes to Rogue Valley business and workforce needs.

SOU draws heavily from Jackson and Josephine counties for it students, along with attracting learners from farther away.

"We have to do a better job integrating with the economic and workforce needs of the region," Bailey said.

Without substantial, carefully planned changes, SOU faces drastic cuts, a merger or— in the worst-case scenario — potential closure.

"The university is worth saving," Bailey said. "SOU generates $282 million in economic activity for Jackson and Josephine counties and the state invests $30 million."

Pondering cuts

The Deloitte report identified 14 academic programs that make money for SOU, including business administration, education and psychology.

A majority of SOU students are concentrated in the money-making programs.

Deloitte flagged 10 programs that cost SOU more to provide than the university takes in, including music, theater, outdoor adventure leadership and creative writing.

Bailey said the report considered direct spending on programs, such as for professors, but not indirect overhead costs like administrative staff and building maintenance.

"When you put all of that together, it is far more sobering," he said of the financial picture for SOU.

Even before considering overhead costs, the fact that SOU loses money on many programs means that just boosting enrollment won't fix the university's financial woes — especially if it attracts more students into money-losing programs and fails to change those programs.

In some ways, students majoring in more practical, in-demand jobs are essentially subsidizing students majoring in creative fields with uncertain job prospects.

Music loses $237 per credit hour, the highest amount, and loses the most money among academic programs for SOU, the Deloitte report found.

Bailey said the music program is relatively expensive to provide, but not everyone agrees with cutting programs based on costs alone.

He said, "The critique we heard loud and clear from campus stakeholders is, 'Yes, acknowledge the cost, but also look at the qualitative side. What do we lose? Does it affect our values and principles?'"

Bailey said he wants to look at every creative possibility for supporting programs.

"Community stakeholders are at a point of saying, 'How can we participate? How can we pitch in?' We want to leverage that support so every academic program has 'sponsors,'" he said.

Bailey said that doesn't necessarily mean seeking financial backers for programs, but it could be ideas like businesses offering paid internships to students.

Theater loses $60 per credit hour and has a large number of students, placing it as the second biggest money-loser for SOU.

Deloitte recommends sunsetting gender, sexuality and women's studies, which has only eight students majoring in that field; music with 61 majors; creative writing with 50 majors and international studies with just six majors.

The consulting firm didn't recommend shuttering the theater program.

Bailey said he doesn't know why, but added, "Theater is a very popular program in terms of the number of students. It is expensive to operate, but is tied to our place. We're a region where performing arts are part of our identity."

He said theater graduates do get jobs, both within the field in theater, performance and design jobs, and outside the field in a variety of sectors.

Deloitte recommends closing the outdoor adventure leadership program and economics as majors, although students could switch to business administration and get a minor or certificate in outdoor leadership or economics.

Other programs would end as majors but with classes still available, including sociology and anthropology, philosophy, Native American studies, Spanish, math, chemistry and physics.

Some of the programs are needed by students to fulfill general education requirements to get a bachelor's degree.

RCC has axed programs in fields that don't have enough demand for workers, Koehler said.

For example, there wasn't enough demand for workers in electronics, so RCC closed the program, he said.

"The worst thing we as a college could do is to provide a program that doesn't lead to jobs," Koehler said. "The student says, 'I paid x amount, you told me there were jobs and I can't get a job.'"

RCC shut down its criminology program because law enforcement agencies weren't requiring degrees in that field for new hires, he said.

"If people don't need the degree to get in, why would we be offering it? There's no added value for those folks," Koehler said.

SOU does offer criminology, which is among its money-making programs.

RCC has listened to businesses and added programs, such as its new surgical technology program that trains people to assist with operating room tasks and patient care, Koehler said.

RCC couldn't start that program alone, so it offers on-site lab sessions for students, Linn-Benton Community College provides online instruction and Providence in Medford provides training and work experience.

"It's one of the examples of RCC identifying the needs and working with partners who are not even local to have a local training program," Koehler said.

Despite nationwide demand for airplane pilots and local student interest, launching a program in the Rogue Valley would be too expensive for students and RCC. So RCC stays out of that field, and students get pilot training in other parts of the state, Koehler said.

Bailey said SOU realizes it isn't large enough to provide every program that students want, so they have to go to other schools, such as the much-larger University of Oregon in Eugene or Oregon State University in Corvallis.

SOU and RCC have an interest in each other's success.

About half of RCC's students take basic classes and then transfer to SOU to finish their education, with the rest completing shorter career programs at RCC.

SOU's main campus is in Ashland, but it shares a joint higher education center in Medford with RCC. RCC has its own campuses in Grants Pass and White City.

Flexible career paths

Both RCC and SOU offer "stackable credentials," meaning students can gain skills and get a certificate or degree, get a job or pay boost at work, and come back to gain even more education to advance in their careers.

Bailey said SOU can do more work to analyze its programs to see if it can offer more educational stepping stones.

The Deloitte report recommends stackable credentials, flexible schedules to attract more adult learners, and making the path to a degree faster and less expensive.

The firm noted Oregon ranks 46th among states for state government funding of higher education. The shrinking of state government support has shifted more of the financial burden onto students and their families, Deloitte said.

"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," the report said.

Opponents of downsizing at SOU say the solution is more state money, but a long-term, sustainable turnaround in state funding seems unlikely — and is outside SOU's control.

Deloitte said SOU should streamline its general education requirements, offer more school credit for work experience and other forms of learning, strengthen core programs, cut costs and attract more working adults.

Koehler said RCC faces many of the same headwinds as SOU, including a lack of funding from the state and federal governments and public doubts about the value of higher education. RCC is suffering less from the demographic change of fewer young people in Oregon.

"RCC has historically pursued adult students who are coming back to up-skill, re-skill or change careers," Koehler said. "That's a big part of our mission. We've relied less on the traditional college student — the 18-year-old who is coming out of high school to pursue a bachelor's degree."

Deloitte said SOU students need more help identifying career paths and developing plans to graduate as soon as possible.

Although sports and other activities are important for a sense of engagement and belonging, Deloitte recommends cuts to sports spending, such as by reducing assistant coaches, combined with more fundraising to help support athletics.

SOU needs to charge enough to cover the cost of providing dining and housing, workers need to contribute more toward the cost of benefits like health insurance, and administration should be trimmed, Deloitte said.

SOU should consider renting out underused spaces for conferences, camps and other events, and sell off underused assets, the report said.

The university should also institute a freeze on raises and new hires, Deloitte said.

"Financial challenges will not resolve themselves," the report said.

The Oregon Higher Education Coordinating Commission said this week it expects SOU's Board of Trustees to present a detailed plan on June 18 for closing the university's budget deficit.

The Oregon Legislature, which approved bailout money, was clear that SOU must develop a "detailed, realistic plan for balancing its budget" and preserving access to higher education in Southern Oregon for the future, said Ben Cannon, executive director for the commission.

"Delays will compound the fiscal challenge, and make the budget-balancing work much harder," he said.

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