OUS/SOU, Advance of Funds

**Background:** Action was taken this week by the Oregon Legislative Assembly to reduce the 2007-2009 state appropriation to the Oregon University System by $46 million to reflect the fall-off in state revenue due to the current economic downturn. Several years ago, the Board adopted a fund balance policy that required all campuses and the Chancellor’s Office to have a positive fund balance of at least 5 percent of annual revenue plus appropriations. Any entity whose financial condition was such that it was expected to fall below this amount was expected to provide the Board with a plan to restore itself to financial health. This policy has been used in the past as part of the information used to require campus retrenchments.

The reduction in the 2007-2009 appropriation comes late in the biennium. If no action was taken, two OUS campuses (the University of Oregon and Southern Oregon University) would fall below the 5 percent floor by the end of the fiscal year in June 2009. In a separate action, the University of Oregon is proposing a tuition surcharge for the spring term that should provide more than $2 million in net revenue, an amount that should be sufficient to bring the institution’s fund balance, at June 30, above the 5 percent threshold. Staff does not believe that a similar option would be successful for Southern Oregon University at this time. Although the University’s enrollment now is climbing and its president has announced a number of actions designed to reduce expenses, the institution only recently emerged from a program reduction effort. Therefore, staff is proposing that $420,000 be advanced from the Chancellor’s Office fund balance to Southern Oregon University. That amount should be sufficient to ensure that the campus does not fall below the 5 percent fund balance floor this year. The University could repay the advance once its finances have become stronger.

It should be noted that further reductions in state funding for 2007-2009 are possible and that further actions will be required during this fiscal year.

**Staff Recommendation to the Board:** Staff recommends that $420,000 be transferred from the Chancellor’s Office fund balance to Southern Oregon University as an advance to be repaid once Southern Oregon University’s finances are stronger.

*(Board action required.)*