



November 20, 2025

Campus Community,

As we approach mid-year of the FY2026 Operating Budget, I want to reiterate some points that were covered at the Budget Town Hall a couple of weeks ago.

Over the last three years, a combination of cost-saving measures, elimination of unfilled positions, and centralization of budget has helped us to make needed shifts while maintaining as much of our reserves as possible. Those tactics have also helped us to do better than projected each year in deficit spending. When I arrived, we had a \$15 million reserve, and we were projected to deficit spend \$7 million, leaving us with a fund balance of \$8 million. Because of the hard work of this community, we still have a reserve fund balance of \$13.5 million. And we have been able to provide raises for employees. However, we still have a structural deficit to address.

In June, the Board approved the FY2026 Preliminary Budget that included planned use of about \$3.6 million reserve funds this year to close the continued structural deficit. As you recall, last year I stated we would need to cut \$5 million in expenses over two years. We identified \$1.7 million in reductions last year and planned to tackle the rest this year. Now we face two major impacts on this work.

First, our projected structural deficit has increased. On November 4, the FY2026 Adjusted Budget was presented to the Board's Finance and Administration Committee. The Adjusted Budget includes planned use of approximately \$4.1 million reserve funds to close the structural budget deficit. The deficit increase is due to a combination of events, including lower than expected enrollment, higher than expected tuition remissions, and declining indirect cost recoveries. This week, the trustees approved the adjusted budget for this fiscal year, but they also have an expectation that we address our structural deficit for fiscal year 2027.

Second, the Higher Education Coordinating Commission (HECC) recently requested that Oregon public universities submit a response explaining how a 5% reduction in the Public University Support Fund (PUSF) for the current biennium would impact the universities. WOU's submission indicates there will be detrimental effects should the state cut the PUSF by 5%. HECC emphasized that the submission is for scenario planning and does not represent a recommendation to cut the PUSF budget by 5%.

However, state revenue forecast shows a shortfall, so the Legislature is exploring options to mitigate their deficit. To do so, they will have to pull back funds from state agencies. To put this discussion in context, attached is a letter from Director Cannon to the co-chairs of



the Ways and Means Committee that explains the effects of this possibility and articulates HECC's philosophy as they work through scenarios. Also attached is the feedback we submitted to HECC as they prepared their report to the Ways and Means Committee. It is important to note that Director Cannon explains how Current Service Level (CSL) funding is not adequate to meet the increased costs at most universities.

While Oregon public universities are bracing for probable legislative decisions to pull back PUSF funding for this biennium, the final decision will not be known until after the 2026 Legislative session.

The senior leadership, as stated in my communication at the end of last year, are working on plans to address needed cost containment while also looking forward towards innovation. The University Budget Advisory Committee is actively engaged and will be central in discussions about strategies and soliciting feedback.

As I said at the town hall, I know this community has been through budget struggles many times before. I always want the community to understand our fiscal realities. And as you saw in my slides at the president's address, this university has done a very good job over time remaining affordable and also keeping costs down. We have survived over a decade of scarcity, and we will get through this chapter as well. Keep a focus on the positive aspects of our university, and remember all you do to support our students and our community.

Thank you.

Jesse Peters, President
Western Oregon University

Attachments: [HECC Reduction Options Cover Letter](#), [WOU Response to PUSF 5% Reduction](#)