

END OF SESSION SUMMARY – THE 2026 LEGISLATIVE SESSION

The 2026 short session was defined less by sweeping new investment than by budget triage, federal-policy response, and a handful of targeted interventions. For Southern Oregon University, the most important takeaway is straightforward: the Legislature did not reduce core higher-education funding during the session, and it did act directly to stabilize SOU in the near term while also setting in motion a more intensive conversation about the structure and long-term sustainability of higher education in Oregon. The session also showed that higher education is increasingly getting attention by lawmakers; and is also being pulled into broader state debates about immigration, accountability, governance, and institutional design.

1) State Budget: the revenue forecast and the “Disconnect Bill”

The broad budget backdrop improved during the session, but only modestly. Oregon’s March 2026 forecast showed a stronger starting position than expected: the beginning balance improved by \$147.1 million, net General Fund revenues were up \$105.6 million from the prior forecast, and the projected 2025-27 ending balance moved from negative territory to a positive \$197.9 million. In practical terms, that forecast eased some pressure, but it did not eliminate the Legislature’s need to close holes created by prior commitments, federal policy changes, and major program cost pressures.

A major budget tool was SB 1507, the so-called “Disconnect Bill.” The bill updated Oregon’s tie to the Internal Revenue Code but also intentionally disconnected Oregon from several recent federal tax changes, including federal deductions for personal auto loan interest, the expanded exclusion for qualified small business stock, and bonus depreciation. At the same time, it increased the Oregon earned income tax credit and created a job-creation tax credit. Legislative Revenue Office estimates showed a net General Fund gain of about \$311.6 million in the 2025-27 biennium. That revenue mattered because it gave lawmakers a way to backfill part of the budget problem without reopening large programmatic cuts across state government. As of the close of session, SB 1507 was at the Governor’s Office awaiting signature.

For SOU and higher education, the significance of the disconnect package is less ideological than practical. The session’s tax-policy debate was one of the main mechanisms by which the Legislature preserved capacity to respond to immediate budget needs while avoiding broad reductions to major state commitments, including higher education. That does not mean the state is fiscally comfortable. It does mean the Legislature chose, in this short session, to solve problems through targeted tax and rebalance actions rather than by cutting university budgets mid-biennium.

2) Direct funding touching SOU

During the first week of the session, President Bailey, Vice President Howell, and Trustees Chavez, Santos, and Shelby joined the Government Relations team meeting with the Ways and Means Co-Chairs, the Senate President, Speaker’s Office staff and other key members of the legislature, to update them on SOU’s financial situation, which set off a set of actions to identify the precise structural deficit for the 2025-2027 biennium and beyond. The final day of the session, the legislature passed HB 5204, the omnibus 2026 budget reconciliation measure. Section 320 appropriates \$15 million General Fund to the Emergency Board, to be allocated to

the Higher Education Coordinating Commission for the purpose of supporting Southern Oregon University with short-term financial stability. That is the most consequential session action for SOU. The Legislative Fiscal Office summary makes clear that the appropriation is meant to address a projected operational funding shortfall during the 2026-27 fiscal year, and that up to \$1 million of the funds may be used for professional services supporting transition planning.

The same bill also added two other higher-education items relevant to SOU's future. Section 109 increased HECC's budget by \$500,000 for a consultant to help Southern Oregon University develop a long-term financial sustainability plan. Section 110 added \$2.5 million for proposals to increase the resilience and sustainability of Oregon's post-secondary system, particularly for the work to conduct the study directed by HB 4124. In other words, the Legislature paired short-term operating stabilization with resources for planning and broader system redesign.

Just as important as the dollars to SOU were the conditions. Budget notes tied to HB 5204 require SOU to collaborate with HECC to develop, by April 30, 2026, a plan for future delivery of higher education in southern Oregon without reliance on ongoing increases in state support. The plan must align revenues and expenditures for a balanced 2027-29 budget, identify programs and functions that are specifically meaningful to southern Oregon or the state and are capable of sustained delivery, and evaluate options that may include partnership with other institutions or an alternative higher-education structure. HECC must then report to the Emergency Board by June 2026 on updated SOU financial modeling and the operational plan through June 30, 2027. Beginning in May 2026, SOU must also provide monthly financial statements and updated cash-flow forecasts to HECC, DAS Chief Financial Office, and LFO, plus quarterly operational-risk summaries.

3) Higher education reform, including HB 4124

The session also elevated the higher-education reform conversation beyond SOU alone. HB 4124 directs HECC to study the condition of Oregon's post-secondary education system and to develop detailed recommendations for the design, implementation, and operation of a viable and superior institutional framework. The bill requires a preliminary report by October 1, 2026, and a final report by April 1, 2027. As of session close, HB 4124 was at the Governor's Office awaiting signature.

For SOU, HB 4124 matters because it moves discussion of institutional structure, mission, and sustainability from informal speculation into an officially sanctioned state process. That has risks and opportunities. The risk is that a system-level study can invite proposals that flatten regional distinction or overvalue consolidation for its own sake. The opportunity is that SOU's circumstances are now clearly linked to a broader state conversation about what Oregon actually wants from its regional universities, how it defines mission differentiation, and how it will finance a viable statewide network rather than simply manage decline.

From an SOU perspective, the strategic implication is that the institution cannot treat HB 4124 as merely abstract policy work happening elsewhere. It will shape the environment in which SOU's own April and June deliverables are interpreted. Put differently: the SOU stabilization plan and the statewide HECC framework study are now running on parallel tracks, and each will influence the other.

4) Immigration

Immigration was one of the most visible issue areas of the short session, driven largely by concern over federal enforcement actions. The clearest campus-facing measure was HB 4079. It requires school districts and governing bodies of institutions of higher education to adopt policies addressing how they will respond when federal immigration authorities enter school property or a campus, and it prescribes notice requirements. Reporting on the bill emphasized that public universities and colleges would need an alert system to notify affected campus communities when immigration enforcement occurs on campus. As of session close, the bill was at the Governor's Office awaiting signature.

For SOU, this is not peripheral. Even institutions far from the center of statewide immigration politics may need clearer campus protocols, training, communications chains, and student-support coordination. The issue also reinforces a larger point from this session: universities are being asked not only to educate, but to operate as visible civic institutions responding to rapidly changing federal-state tensions.

5) Student government issues

Student-government legislation was present, though it was not among the session's top enacted outcomes. HB 4122 would establish a statutory definition of "student government" for public universities, specify powers and duties, formalize official student-government names for each institution, and rename "mandatory incidental fees" as "mandatory student-initiated fees." The bill explicitly names Southern Oregon University's student government as the "Associated Students of Southern Oregon University." But as of the end of session, HB 4122 remained in the House Committee on Education and had not advanced.

There was, however, enacted attention to student governance in other settings. HB 4066 changes laws related to education governance and, among other things, limits the participation of the student member of the OHSU Board of Directors in discussions involving collective bargaining issues that affect students. While that measure is OHSU-specific, it reflects a broader legislative willingness to revisit how student representation is structured in public higher-education governance.

For SOU, the lesson is that student-government and student-board issues are becoming more formalized in statute and therefore potentially more salient in governance conversations. Even where bills do not pass, they signal areas where legislative interest may return in a later session.

6) Other key issues emphasized by the media

Media coverage of the 2026 session focused heavily on several issues that were not directly about higher education but nonetheless shaped the political atmosphere in which SOU's requests were heard. Among the biggest were the transportation budget hole and ongoing fallout from the transportation tax fight, the Legislature's high-profile financing decisions around the Moda Center, changes to campaign-finance implementation, and multiple immigration-response bills. Coverage also highlighted how compressed and unusually busy the five-week session became.

Additionally, HB 4177, related to ethics laws, changes the meaning of meetings, convening, and deliberation in Oregon's public meetings law to continue to prohibit a series of communications among a quorum of a governing body during which it examines, weighs, or reflects on a

decision. It also adds types of communications that are allowed and not considered public meetings. It limits the types of governing bodies required to attend training on public meetings law and changes the timeframe for completing the training. It also changes the deadline for individuals to submit a grievance regarding a potential violation of public meetings law to 90 days, changes the process for a public body to respond to and cure a grievance, and prohibits the Oregon Government Ethics Commission (OGEC) from opening an investigation if the grievance process is not satisfied.

All of this context matters for SOU because it helps explain both the challenge and the achievement of the session. SOU was not operating in a quiet policy lane. It was competing for legislative time, attention, and fiscal capacity in a session crowded by transportation shortfalls, tax fights, immigration politics, ethics fixes, and other headline issues. Against that backdrop, the fact that the Legislature preserved higher-education funding and enacted a targeted SOU stabilization package is significant. The harder work, however, now begins: the 2026 session bought time, imposed accountability, and opened the door to structural reform. It did not settle what long-term model Oregon wants for SOU or for regional public higher education more broadly.