

University Budget Conversations – May 27, 2021
 Budget Planning in Uncertain Times – Novissimis

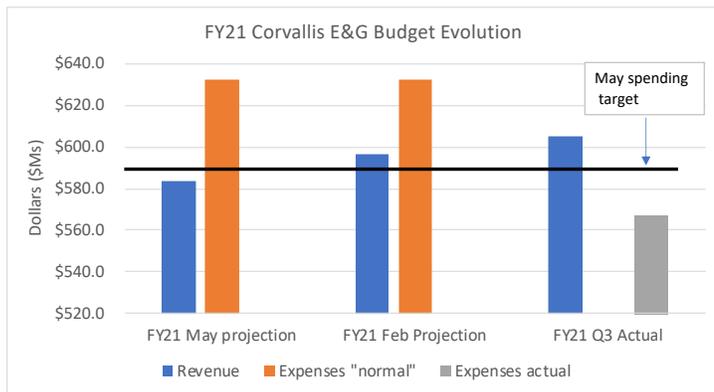
This has been a stressful, remarkable, and disruptive year on every front. OSU is currently in better financial shape than we had ever expected 14 months ago, despite significant revenue losses and unexpected costs. The financial picture for next year still has many uncertainties but is on a positive trajectory. Thank you all for your extraordinary efforts.

Timelines - Some of the important benchmarks for budget planning:

- March 11, 2020 WHO declares the novel coronavirus outbreak a global pandemic ✓
- April 2nd Board of Trustees meeting, tuition rates ✓
- May 10th START signup opens ✓
- May 16th Registration for fall opens ✓
- May 18th Preliminary initial budget ✓
- May 19th State revenue forecast (basis for 2021-23 funding) ✓
- May 21st Board of Trustees, FY22 budget approval ✓
- June 11th Spring Term ends

Current Year E&G Update

Overall, gross revenue losses plus new costs for OSU’s Covid response still total about \$170M from March 2020 projected through the end of this year. The net losses are less than that and will be addressed with fund balance, the second federal relief funding of about \$26M (\$7.8M of that for financial aid), the third stimulus bill (\$47M with \$24M in student aid), and some long-term repayment planning.



Corvallis E&G started the year assuming a \$49M gap between revenues and “normal” expenses. The budget plan was to curtail central spending for capital renewal, use some fund balance, and reduce expenses across all units. At Q3 in FY21 the campus has seen better than expected revenue growth and done an extremely good job managing expenses.

What exactly changed? On the revenue side (blue bar on the left to blue bar on the right) state funding was never reduced and Ecampus enrollment was much stronger than forecast. However, enrollment at Corvallis was

down more than expected despite significant additional institutional financial aid and is projecting a \$20.7M decline. Sales and service revenues were better than forecast and other funding was up (though a part of the latter is insurance reimbursements for the Burt Hall fire).

On the expense side (orange bar on the left to grey bar on the right), personnel costs are down as are supplies and services (and other) costs. In addition, there were two major changes in transfers. Some capital renewal projects were moved to a long-term internal bank loan and the cash that had been put in plant funds was returned to E&G (the \$13.9M). Use of the Internal Bank for capital renewal projects required revising the projection and several projects originally targeted for capital renewal or minor renovation, both centrally funded or funded by units, were delayed so transfers out were down significantly. These are both short-term solutions (not recurring changes) to create some cash reserves. Those projects are all in the ten-year capital forecast and will have to be completed at some point in the near future.

Revenue change Q3 from May projection	
State funding	\$ 27.4
Sales and services	\$ 3.4
Other funding	\$ 3.1
Ecampus	\$ 8.8
Net other tuition	\$ (20.7)
Total	\$ 22.0
Expense change Q3 from May "normal"	
Personnel	\$ (15.1)
Supplies, Other	\$ (20.6)
Transfers In	\$ (13.9)
Transfers Out	\$ (15.3)
Total	\$ (65.0)
(in millions of dollars)	

Why was there a concern about cash reserves in the planning? The overall ending balances for operating funds are about the same as FY20 but the distribution is very different. There is a significant increase in Corvallis E&G fund balance (from the revenue and expense changes noted above) but a very large loss in self-support operations. This was part of the reason to try to make sure there was some additional reserves in E&G to help manage those losses in self-support, as we are expecting more (though reduced) losses in the major self-supports in FY22.

Fund balance/unrestricted net assets in thousands of dollars				
	FY20 Ending	FY21 Q3	Change from FY20	FY21 Ending % of Revenue
E&G	108,572	148,118	39,546	19.9%
Corvallis	77,584	115,696	38,112	19.1%
Cascades	1,609	519	(1,090)	2.8%
SWPS	16,079	18,929	2,850	19.2%
Outdoor School	13,300	12,974	(326)	57.2%
Self Supports	24,368	(23,406)	(47,774)	-14.6%
Restricted Funds	13,083	19,432	6,349	4.7%
Totals	146,023	144,144	(1,879)	11.0%

FY22 Budget Planning

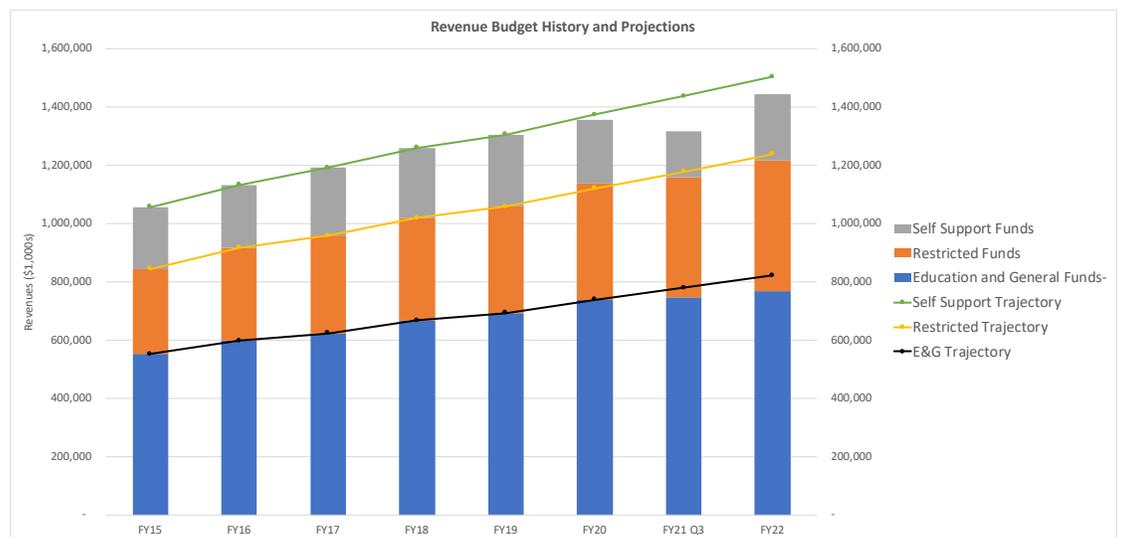
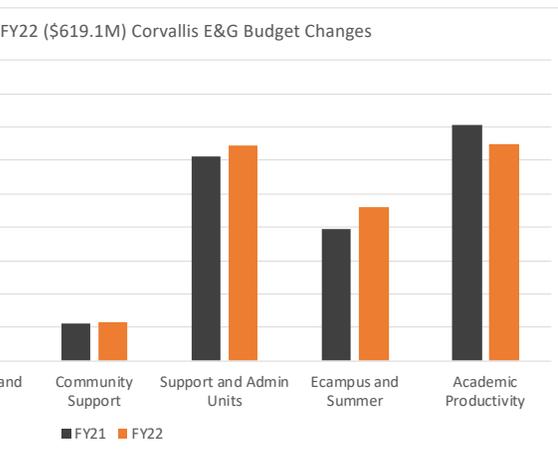
The FY22 preliminary budget is significantly improved over FY21, up to \$619.1M from \$582.7M, an increase of \$37.6M. While substantial, there are many “automatic” calls on the new revenues. These include rollup costs for raise and

benefit commitments to employees and costs for utilities, insurance, and the like. The raise rollups are modest this year, as only SEIU-represented employees saw increases (steps and COLA). There are commitments for distributions to colleges for growth in Ecampus, targeted state funding, sales and services, and other dedicated funds.

Those obligations total about \$34M leaving little margin to fund actions and initiatives to advance strategic goals, including areas like research support;

enrollment management; the community wellness, education, and safety network; the information technology strategic plan; and many other things (there were requests for over \$25M of new commitments). To move some of that critical work forward, units will fund increased costs for general inflation from existing budgets and some key projects will be started with about \$4.9M in fund balance investments from the Provost and VPFA¹.

Finally, it should be noted while FY22 is much improved, it has not returned to what pre-pandemic revenues would have been (with the exception of restricted funds). The effects of the pandemic (unsurprisingly) will be with us for some time.



¹ After these allocations, the initial budget is overcommitted by \$12.2M. To offset part of that over-commitment, all unit budgets will be reduced by 0.8%, generating \$4.2M. The remaining negative balance of about \$8.0M will be offset with any revenue improvements or fund balance, as necessary.