

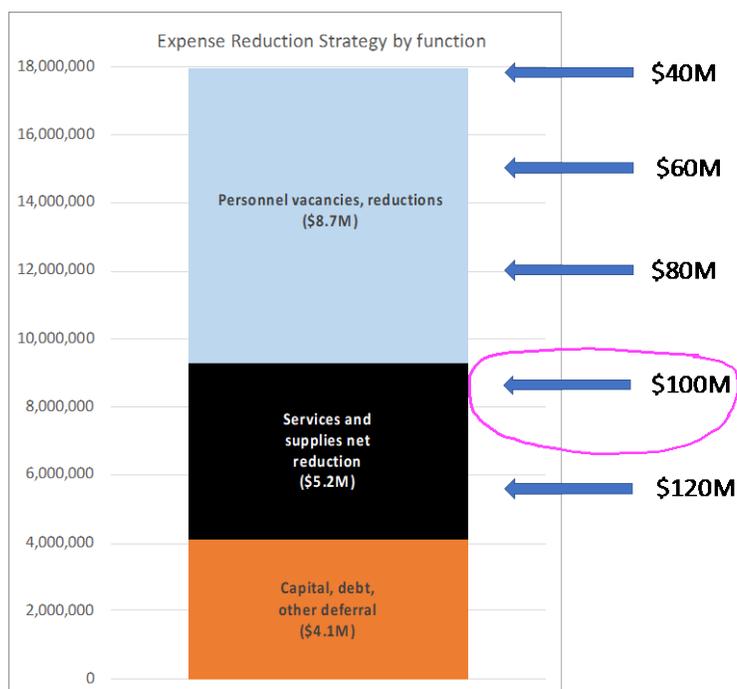
FY20 Outlook

Enrollment: Preliminary AY2019-20 Corvallis enrollment projections indicate a 4% decline in resident undergraduates (without changes in recent trends), a 0.9% decrease in non-resident undergraduates, a 1-2% decline in graduate enrollment, and 7% growth in Ecampus (a continued slowing in growth rate). The resident undergraduate declines are a result of declining numbers of Oregon high school graduates, expanding use of the Oregon Promise community college program, and increased competition from other four-year universities. Overall, the projections are for a reduction in headcount of 1% in Corvallis, an increase in headcount of 6-8% in Bend, and a 7% growth in Ecampus enrollments. Oregon resident enrollment will continue to be a challenge with high school graduate numbers flat to declining through 2023, increasing through 2026, and then declining sharply.

State Funding: The governor’s budget recommended flat funding for the Public University Support Fund (PUSF) and eliminated funding for the Engineering Technology Sustaining Fund (ETSF, about \$7.1M annually to OSU) and lottery funds that support athletic programs. This would result in about a \$12M budget reduction to OSU from FY19 to FY20. The co-chairs budget added \$40M to the PUSF for the biennium for the seven universities and restored funding for ETSF and lottery funds. This would add about \$2.6M from FY19 to FY20 in Corvallis. The government relations offices, presidents, stakeholders and many others have argued for a \$120M increase to the PUSF.

The budget recommendation from the Legislative Fiscal Office released on June 4th was for a \$100M increase to the PUSF, 1.4% increase to the ETSF and other State Programs, and 7.3% operating increases for each of the three Statewide Public Services. In addition, there was \$1.6M for the wave energy project, \$2M in extension for fire resilience programs (both one-time funding), and full funding for the Outdoor School Program (administered by Extension). There were no new commitments for capital funding.

Cost Increases: Salary costs are expected to grow about \$8.5M while benefit costs increase about \$9M due to large increases in PERS rates and increases in PEBB charges. Inflation on services and supplies is projected at about \$3.4M. Overall, inflation on existing services and programs is 4.1% of expenditures, or \$22.1M. The dollar increases cited are for Corvallis, but the SWPS, research-funded programs, and Cascades will face the same percentage increases in continuing service level costs. In addition, the university will have an approximately \$3M increase in the cost of insurance, principally for property insurance.



There are also some areas where additional commitments are needed to address long-term issues. These include an incremental \$5.0M (for a total of \$15.0M in FY2020) to address capital renewal needs, an estimated \$2.0M in additional debt service on new revenue bonds, \$0.7M for the last increment in the athletics sustainability plan, and \$1.2M for the OSU Foundation and Alumni Association to build staff capacity for the next capital campaign.

Corvallis E&G Budget Planning: These factors taken together show projected revenues \$18M short of expense growth at the \$40M co-chairs budget. This is the budget that was discussed with the Board in the last week of May. The level of reduction will depend on the final level of state funding (as shown in the graph to the left).

The strategy to balance that budget at a \$40M state increment to the PUSF had three major parts, including some areas in which we might see additional revenues or savings:

- Central adjustments (\$4.1M)
 - Reduce next increment of E&G capital renewal funding
 - Reduce other central strategic increments as possible
- Services and supplies spending reduction (\$5.2M)
 - Set target at 1% less than FY19 spending
 - Add back contractual increases, building operations
- Personnel reductions (\$8.7M)
 - Managed principally through FY20 vacancies
- Alternatives and improvements
 - State funding over the \$40M per biennium scenario
 - Insurance savings of \$1.6M for FY20 (PURMIT decision)
 - Each percentage reduction in mid-year raise is \$900K

These reductions would be about \$4.1M from central pools; \$5.1M from service, support and administrative units; and \$8.8M from colleges and academic programs.

The budget being considered this week by the Legislature (adding \$100M to the PUSF) would add about \$9.6M more to the Corvallis E&G budget to help close that budget gap. The intention is to add back to four key areas: an enrollment reserve (in case fall enrollments are short of projections); critical central strategic investments; college allocations through the productivity part of the budget model; and incremental investments in strategic areas in service, support and management units. Some of the priorities (not all of these will be funded necessarily) that will inform decisions about these add-backs, as discussed with the Board of Trustees, include:

- Expand commitment for Bridge to Success scholarship program and completion grants and other student retention efforts, including support for transfer and first-generation students.
- Use a portion as an emergency fund to backfill critical positions or services (library subscriptions, essential teaching positions, critical support personnel). These would be for one year and requests for continuation would be part of the FY21 budget planning.
- Use a portion of the increase to augment the Corvallis budget allocation model to help colleges and support units manage personnel cost increases.
- Make high-priority investments in enrollment management (staff in critical markets, improved systems or materials, etc.)
- Augment the projected ending fund balance at OSU-Cascades to provide additional reserves for planning and project management.
- Fully fund the \$1.2M increment to the OSU Foundation and Alumni Association to build capacity for the next capital campaign.
- Fully fund a \$2M increment in debt service to ease the pressures on the FY21 budget.
- Fully fund the \$5M capital renewal increment to ease pressure on the FY21 budget.
- Fund enrollment initiatives proposed by colleges, particularly in Liberal Arts, Public Health and Human Sciences, and Science.
- Fund high priority needs in research support services.
- Complete key long-term planning studies including semester conversion, Ecampus pricing, cost of activities studies, and operational efficiencies.