

FY20 Governor's Budgets and What would you change about the budget?

The state is projecting about 5% revenue growth the next biennium, slowing from double digit increases over the last two biennia. Despite the revenue growth, there is expected to be a substantial gap between revenues and continuing service level expenses due principally to increases in PERS costs and a shift of healthcare costs from the federal government to the state.

The governor released her budget in December, essentially in two versions. The Governor's Recommended Budget (GRB) assumes no new revenue sources and shifts significant state funding to K-12 education. For OSU, the changes include:

- Flat funding for the Public University Support Fund (PUSF); results in a \$4.75M reduction from FY19 to FY20 for OSU (Cascades and Corvallis)
- Eliminates funding for the Engineering Technology Sustaining Fund (ETSF, about \$7.1M annually to OSU) and lottery funds that support athletic programs (about \$600K to OSU annually).
- The budget flat funds the Statewide Public Services (a \$2.5M reduction from FY19 to FY20)
- \$65M for capital improvement and renewal across the seven universities
- Delays bonding for OSU's major capital projects to the FY20 session contingent on a ten-year capital plan from HECC.

The second version is an investment budget premised on about \$1.9B in new revenues. This budget has:

- A \$120M biennial increase to the PUSF that would provide about \$15M more to OSU in FY20
- Restoration of the ETSF and the lottery funding with an additional \$35M for the ETSF (though the distribution of that is to be determined)
- \$20M additional for the Statewide Public Services
- A \$10M Public University Innovation Fund.
- Doubles the funding for the Oregon Opportunity Grant.

The two budget scenarios are very different in their impact on OSU and neither is likely to be the final version approved by the Legislature. A large tax revenue package would likely be referred in part or whole to the voters in November.

Regardless of state funding, OSU is projecting increased costs for FY20 that include about \$26.1M for raises, benefits, and inflation; \$2.8M for costs of enrollment growth (mostly Ecampus); and \$10.2M for new commitments (principally direct capital renewal funding and some new debt service but also allocations to athletics and the OSU Foundation).

The Office of Budget and Fiscal Planning, after consultation with Government Relations and other offices, is assuming a \$40M biennial increase to the PUSF (about a 2% increase to OSU from FY19 to FY20) and flat funding for the ETSF for planning purposes. With those assumptions there are a range of budget scenarios depending on enrollment and tuition rates. Corvallis enrollment projections for next year indicate a 2% decline in resident undergraduates (this assumes some success in retention and transfer recruitment, otherwise this would be a 4.1% decline), a 1.5% increase in non-resident undergraduates, flat graduate enrollment, and 8% growth in Ecampus. Overall the projections are for headcount change of minus 0.8% in Corvallis, plus 4.9% in Bend, plus 7.0% in Ecampus only enrollments (11.0% in total Ecampus revenues) for a total OSU headcount enrollment of 32,580 (1.0% growth overall).

All of these assumptions yield some models for the Corvallis campus FY20 budget. A couple of these are shown here:

	Scenario A	Scenario B	Scenario C
State +\$40M PUSF +\$2.0M FY20 to OSU	Resident undergraduate: 2% Non-res undergraduate: 2% Financial aid increase \$0.9M Surplus / (deficit): \$(14.2M) \$189 annual increase residents \$567 annual increase non-res	Resident undergraduate: 4% Non-res undergraduate: 3% Financial aid increase \$1.3M Surplus / (deficit): \$(11.2M) \$377 annual increase residents \$851 annual increase non-res	Resident undergraduate: 5% Non-res undergraduate: 3.5% Financial aid increase \$1.5M Surplus / (deficit): \$(9.7M) \$472 annual increase residents \$993 annual increase non-res

What this shows is that even with tuition increases ranging from 2% to 5%, Corvallis would need to make reductions in the expense projections for FY20 to balance the Education and General Budget.

What should we change? What should we start doing to enroll more students or save money, stop doing what to save money, change to be more efficient, or invest in to create revenues that help support the mission? The current distribution of the general tuition and state E&G budget is shown below (this excludes sales and service, state targeted funds, F&A recovery, and differential tuition).

FY19 General Resources Budget	
Central (debt, contracts, reserves)	42,724,467
Colleges	233,034,668
Centers, Interdisciplinary Programs	10,224,167
Ecampus	106,593
Library	12,362,267
RERF	
Enrollment Management	7,475,520
Undergraduate Studies	3,518,193
Academic Affairs	1,172,997
Information Services	20,470,884
Graduate School Administration	3,302,229
Outreach & Engagement	1,542,085
Research Administration	4,238,296
Student Affairs	11,358,929
International Programs	829,738
University Business Centers	9,889,994
Finance and Admin	27,615,892
Facilities, Energy, Planning	23,948,208
Office of the President	9,171,368
Athletics	7,340,700
University Relations & Marketing	4,197,208
Provost	1,555,540
Provost - Pass-through	3,013,719
	439,093,663

- OSU should invest more in:

- OSU should cut spending on:

- OSU should improve how it does X by doing Y: