Oregon State University Ten-year Business Forecast Update
Fiscal Year 2017-18 through Fiscal Year 2027-28

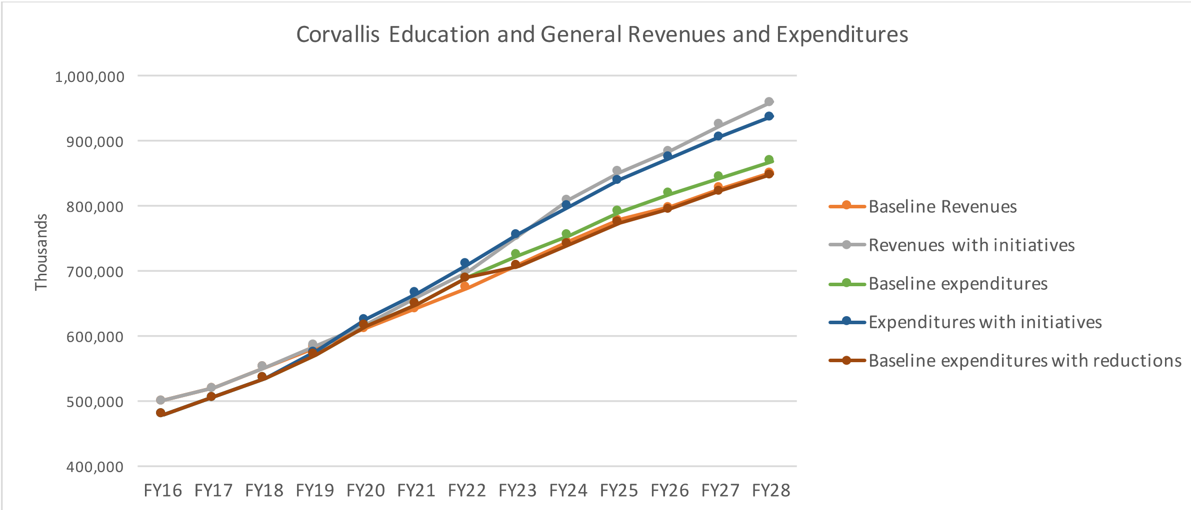
SUMMARY

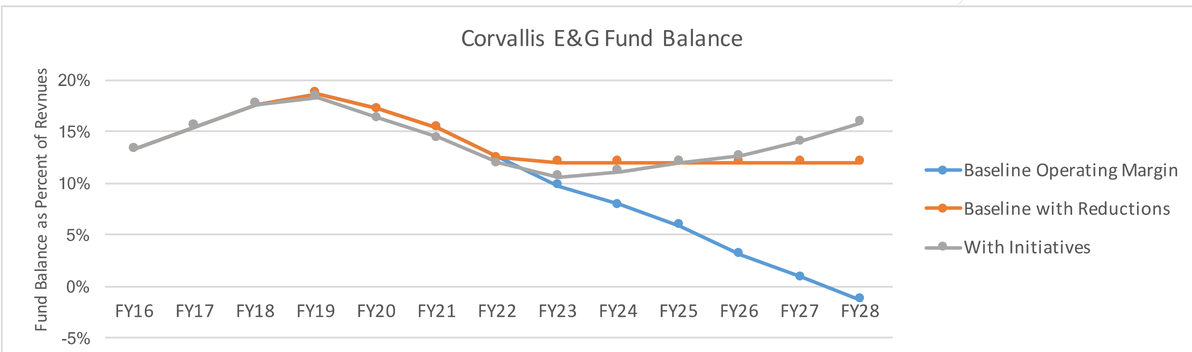
The ten-year business forecast is intended to identify long-term trends in the University's finances that support or jeopardize the goals of the Strategic Plan. The forecast provides a look far enough ahead to take corrective action or to plan for additional investments and to make sure that the long-term impacts of current programmatic and financial decisions are considered. The forecast considers enrollment projections; tuition rates; expense projections for inflation, benefits, salaries, and enrollment growth; and new construction, renovation, and repairs with associated operating and debt costs. The forecast is updated in January of even-numbered years.

The forecast particularly focuses on Corvallis Education and General operations as these have the largest impact on the university's financial position and can change the most with changes in projections of tuition and enrollment. However, projections for operating and capital impacts on all funds are reviewed and included in the assessment of the long-term financial metrics.

The principal conclusions from the current forecast include:

- The projections of current enrollment, tuition, and expense trends at Corvallis show negative operating margins beginning in FY20 in large part because of substantial increases in retirement benefit rates for employees (Figure 1). Alternate strategies need to be developed now to have impacts by FY23 when operating fund balance would drop below 10%.
- Initiatives under consideration for programs outside Corvallis and a fixed-price program for entry into the university after two years of work project sufficient tuition growth to yield positive operating balances by FY23 and substantial net revenues by FY24. The projections for enrollment in these programs are still very preliminary.
- In the absence of new enrollment initiatives, a planned reduction in the growth of expenses by about 1.9% to 2.9% a year beginning in FY23 would maintain a 12% fund balance.
- Revenue growth allows for maintaining current programs as well as adding faculty and staff to support enrollment growth and growth in key areas of the strategic plan.
- Cascades enrollment planning is for growth of at least 85% on campus by 2025, with growth to 3,000 in later years. This provides a more realistic set of recruitment goals. While there are projected operating deficits through FY20, these were planned for and future operating budgets can be balanced by matching the growth of faculty and programs to the growth of enrollment.
- The Statewide Public Services have historically managed to budget through adjustments in level of staffing but they will be particularly challenged by constraints on state funding in the next decade.
- As the sustainability plan for Athletics takes effect, self-support operations project appropriate balances. Restricted funds always remain in balance, but are particularly subject to changes in funding support at the Federal level.
- The forecast includes planning for a number of capital projects including new construction, major renovation, and repair and renewal of buildings and infrastructure.
- The forecast is most sensitive to annual tuition increases, with increases too low yielding long-term deficits and increases too high yielding very large annual operating margins. Fund balances and overall enrollments are sufficient to manage large short-term changes such as an economic downturn in state funding or a sudden major reduction in international student enrollment.
- The forecast yields financial metrics that generally meet or are near the Board's approved ranges.





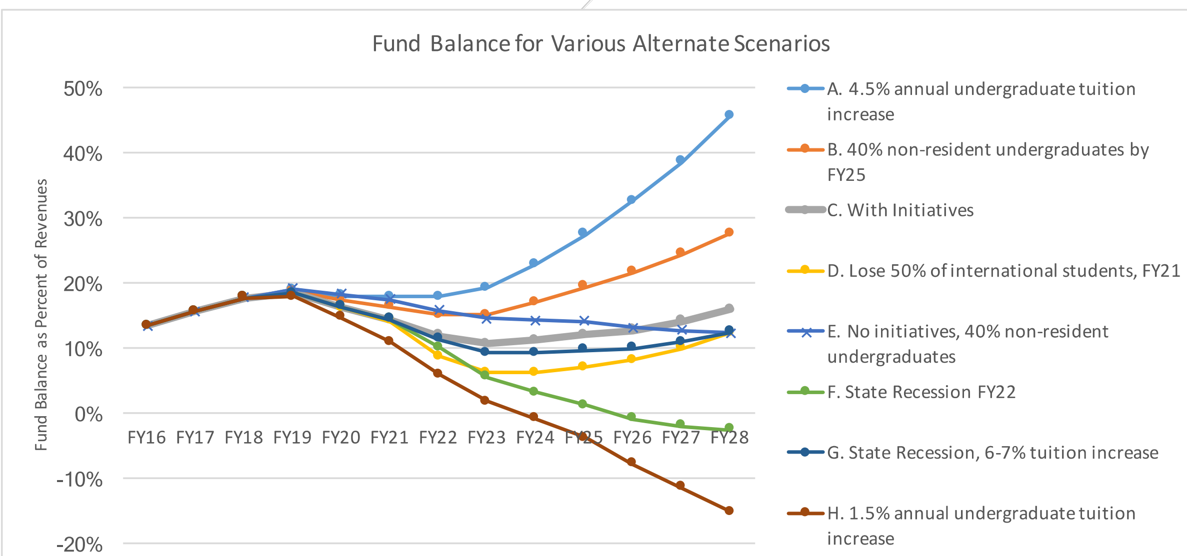


Figure 1: Summary of the ten-year operating forecast for Corvallis Education and General funds. Top is total revenues and expenditures (plus net transfers), middle shows ending fund balances as a percentage of revenues, and bottom shows some alternate scenarios. The baseline case assumes no additional enrollment initiatives are successful. The baseline with reductions requires sufficient reductions in expenditures to maintain at least a 12% ending fund balance. The "with initiatives" curves assume that the enrollment initiatives are successful.