

We are in the middle of the most challenging time in higher education that most of us have ever seen. It comes with uncertainty about many things---enrollment, new kinds of teaching, constraints on research work, job stability, and on and on. Even with that uncertainty, we need to help faculty, staff and students continue to make progress in their education, scholarship, and engagement to the best of our collective ability.

We are facing an all-university and all-funds problem. The financial position of each part of the university impacts the ability of other units to be successful. Losses in one area can impact fund balance flexibility, long-term retention of employees, and progress with capital projects.

We are trying to be flexible and creative in solutions as the situation moves to impact different parts of the university. This may involve reconsidering some of our past practices and boundaries on things like subsidies across funds, use of fund balances, or financing some costs, etc.

We have to accept significant uncertainty as part of our planning for several months. We must manage that uncertainty while providing as much support and reassurance as possible to the university community.

Timelines

We will try to start keeping a timeline of some of the important benchmarks for budget planning:

- May 20th: State revenue forecast
- May 21st: Renewal worksheets due to Human Resources
- May 28th: Budget scenario worksheets due to Budget Office
- May 29th Board of Trustees meeting
- May to August START advising and registration sessions
- ~June 1st Preliminary initial budget
- July 30th Final initial FY21 budgets
- September 1st Budget adjustments if enrollment forecasts are solid
- September 23rd First day of fall term classes
- October 16th Board of Trustees meeting
- October 21st Fourth week enrollment census
- ~November Budget adjustments if necessary
- December 1st Governor's recommended Budget for 2021-23

State Revenue Forecast

Released May 20th

<https://olis.oregonlegislature.gov/liz/201911/Downloads/CommitteeMeetingDocument/221886>

- In the most likely scenario, General Fund and other major revenues are reduced relative to the March forecast by **\$2.7 billion in the current biennium** and \$4.4 billion in the 2021-23 biennium.
- In the short term, economists predict that more than one third of lost jobs will return as the social distancing restrictions are relaxed. But, revenue growth in Oregon and other states will face considerable downward pressure over the 10-year extended forecast horizon, with general fund revenues likely not returning to 2019-21 levels until the 2023-25 biennium.

- The State is better positioned now than in 2008 for a downturn. There are two general reserve accounts, the Oregon Rainy Day Fund (ORDF) and the Education Stability Fund (ESF). Combined, the two funds will total \$1.75 billion. In addition to dedicated reserve funds, the General Fund had more than \$1 billion in projected balances before the recession hit.
- Lottery revenues will be considerably lower in both the 2019-21 and 2021-23 biennia due to social distancing and the recession. Available resources in 2019-21 are lowered \$364 million (-23%) and by \$260 million (-16%) in 2021-23.
- The Governor's request for a 17% cut scenario was based on an estimated \$3 billion shortfall and did not account for the use of any federal CARES dollars or state reserves. Today's forecast suggests that lawmakers may be able to rebalance the 2019-21 biennium budget with limited cuts or at least that reductions will be less than the 17%. There may be reluctance to use much of the state reserves given the outlook for the 21-23 biennium. The governor has authority to make across-the-board reductions but a special session would have to convene to make targeted or distributed reductions. If there is such a special session it would likely be in early summer to rebalance the budget.

Budget Scenarios and Planning

Current budget scenarios suggest gaps between revenue and historical expenses of about \$31M for Corvallis E&G funds and \$78M for all funds at the better-case end and about \$100M for Corvallis E&G and \$240M for all funds at the worst-case end. The worst case includes losses of international student enrollment up to 50% and substantial additional discounting of tuition. The budget to be considered by the Board assumes closing a \$49M gap in Corvallis E&G funds and a \$125M gap across all funds. This is a reasonable scenario at this point but remains a planning budget more than a confirmed model or projection.

Unit leaders have been asked for information on reducing expenses by 7.7% (with additional scenarios at 3% and 10%). These can include reductions to services and supplies; commitments to capital projects; vacancies from non-renewals, retirements, or delayed hires; and savings from possible university-wide salary or FTE reductions. Fund balance is viewed as a last resource in this planning as that fund balance will be a critical resource in a worse-case scenario.

In planning for the spending reductions, units were asked to consider how to continue to deliver essential services in instruction and research. We are facing a temporary challenge that will eventually be resolved and it is important to retain and support our talented employees and students to the extent possible. This may require rethinking workloads, course structures, and other usual operating practices to deliver the credit hours students need, even as we have to temporarily reduce personnel expenses.

Enrollment Trends

Enrollment trends are somewhat encouraging right now. Summer enrollment in Corvallis is up about 1.5% and Ecampus is up 35%. It is a bit too early to know about total enrollment for fall but new students are down a bit for resident undergraduates (though not more than expected), non-resident undergraduates are up significantly, and transfer numbers are up. Graduate applications (last I checked) were still trending down significantly.

However, national surveys consistently show 15-20% of potential new students would consider alternatives to four-year university if instruction is largely or completely remote in the fall. In addition, a majority of students consistently say remote learning is less desirable than in-person and that there should be some kind of tuition reduction if most instruction is remote. The impact of these feelings on decisions to actually enroll will simply not be known till very late in the summer or in early fall.