

University Budget Conversations – September 21, 2020 Budget Planning in Uncertain Times



We are in the middle of the most challenging time in higher education that most of us have ever seen. We have watched other institutions open over the last month and have had a chance to learn from what they've experienced. Unfamiliarity and uncertainty remain but we, collectively, are working to help faculty, staff and students continue to make progress in their education, scholarship, and engagement.

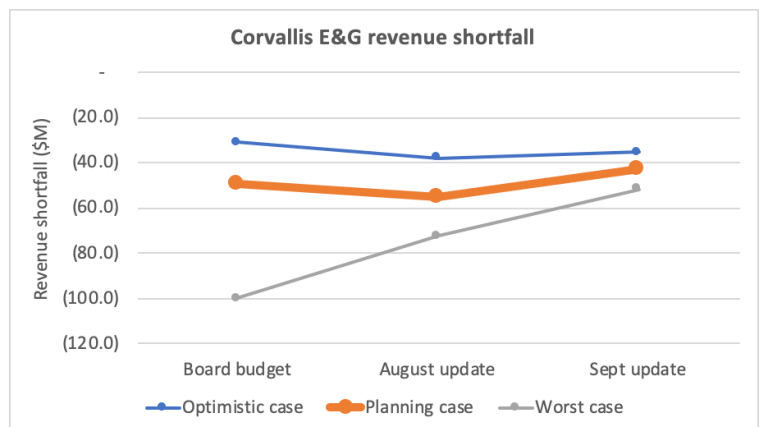
Timelines

Some of the important benchmarks for budget planning:

- May to August START advising and registration sessions ✓
- July 31st Final initial FY21 budget model ✓
- August 10th State budget decisions---improved over May ✓
- August 11th Announcement of mostly remote, suspension of PAC-12 fall sports ✓
- September 1st Budget adjustments if enrollment forecasts are solid X
- September 17th Update to Board of Trustees on budget forecast ✓
- September 23rd First day of fall term classes
- October 4th Last day for withdrawal with 100% refund
- October 18th Last day for withdrawal 50% refund
- October 16th Board of Trustees meeting
- ~November Budget adjustments if necessary
- December 1st Governor's recommended Budget for 2021-23
- Ongoing: Engagement with federal congressional delegation on higher education and state support
- Ongoing: Assessment of budget projections and adjustments to salary reduction program as appropriate
- Ongoing: Discussions with Pac-12 on Athletics planning and bridge support

Preliminary budget plan

When the preliminary Corvallis E&G budgets went out in June the estimates were for revenue to be down 2.2% overall, at \$583.3M, but expenses (unadjusted for any changes) projected to be \$632.2M or a gap of 7.7% (\$49M). The initial plan is to close that gap with \$6-7M of savings in service and supply spending, \$8M of institutional costs (largely capital renewal spending), \$8-9M of personnel costs savings (no mid-year raise, vacancies, delayed hiring), \$15M of fund balance use, and \$10M in savings from the university salary reduction program. We are seeing the optimistic and pessimistic projections converge (likewise with all funds projections) but there are uncertainties still (1% uncertainty in Corvallis E&G budgets is \$6M).



What's changed and where are we now?

The Legislature committed to keeping the Public University Support Fund at current levels, which means a 4% increase over FY20. There were 5% biennial cuts to some State Programs (like the Institute for Natural Resources) and a 2.5% reduction to the Statewide Public Services, but both were less than the original assumptions in May (the Governor hasn't signed the bills yet so it is possible there will be small adjustments).

Summer enrollments have been good and Ecampus enrollments for fall are up over 30%. However, comparing credit hours for fall this year with the same point in registration a year ago shows declines in credit hours in Corvallis. These are mostly for undergraduate students with particular drops for international students. Graduate enrollments remain up. Average credit hour load per student is down a bit.

	Snapshot September 8th		Forecast	
	Sept, 2019	Sept, 2020	Fall Change	FY21 Annual
Total credit hours	358,722	356,792	-0.5%	
Ecampus	48,585	63,354	30.4%	20.1%
Cascades	12,207	12,939	6.0%	6.0%
Corvallis all	296,607	279,044	-5.9%	
Resident undergraduate	185,433	172,677	-6.9%	-8.9%
Non-resident U.S. undergraduate	54,170	51,478	-5.0%	-7.0%
Non-resident, international, PRC	9,029	7,610	-15.7%	-17.7%
Non-resident, international, other	11,968	9,657	-19.3%	-21.3%
Graduate and Professional	36,007	37,622	4.2%	1.0%

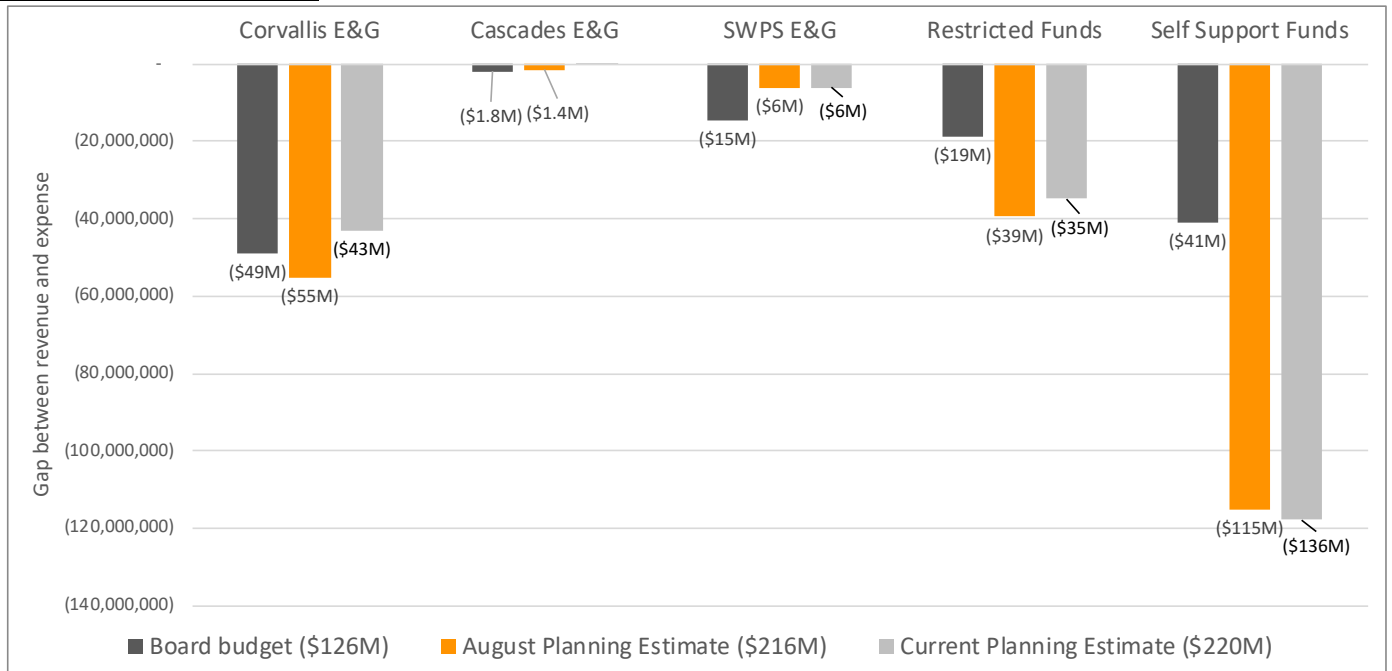
The snapshot to the left is for fall term on September 8th. We are still assuming some erosion of Corvallis enrollments for FY21 by the drop deadline but last week they were still better than expected. The current average forecast for annual change in FY21 is shown in the table. The improved enrollment has narrowed the projections for the Corvallis E&G budget gap to about \$43M and if enrollments hold at the current snapshot we expect that to improve further (which would mean reviewing and adjusting the salary reduction program).

Move in for UHDS started on Friday, with 2,500 deposits. The projections assume only 2,000 and while we expect some melt it is likely to be better than that assumption. The Pac-12 postponed fall sports as did the Big-10, but the Big-10 is now planning for fall football and the PAC-12 is discussing it. The projections assume no football at all. An additional Federal stimulus package, which does contain support for higher education in both the House and Senate versions, remains stalled in Washington.

What’s uncertain?

We don’t know to what extent students may make last-minute decisions on housing and enrollment nor do we know yet what the revenue will be if there is a shortened football season.

What’s the overall outlook?



Challenging would be fair but there are encouraging signs. This was shared with the Board on September 17th. The dark grey bar is the May budget, the orange bar is the August estimate, and the light grey bar is the estimate we are currently planning to (a \$220M total shortfall). If enrollment holds, housing deposits are higher than assumed, and there is some football revenue this shortfall will improve. We are in a significantly better place than many of the pessimistic projections forecast. We will manage the shortfalls with reductions in capital and services and supplies spending, reductions in personnel costs (including the salary reduction program), use of significant fund balance, and likely some other funds from sources that might include a Federal stimulus package, Federal funding provided to the state, loans from the Pac-12, or use of some internal bank resources to manage cash flow through the year.