



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.

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 15th Preliminary initial budget—also next Budget Conversation, thereafter middle of each month✓
- July 30th Final initial FY21 budgets (state budget decisions June? Maybe August?)
- 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

Budget Scenarios and Planning

Preliminary Corvallis E&G budgets went out this week for units to work on and review. Revenue is down 2.2% overall, at \$583.3M but expenses (unadjusted for any changes) were projected to be \$632.2M or a gap of 7.7%. The expenses include some things that cannot be reduced like an additional \$3M for property insurance, \$1.5M for operating costs of new facilities coming online, and \$1.6M of additional debt service due.

	FY20	FY21
State funding	137,835,206	118,415,894
Ecampus & summer tuition	123,166,631	146,103,374
Corvallis net tuition and fees	263,420,098	247,819,527
F&A Recovery	43,860,000	41,659,281
Other	28,202,289	29,289,584
Total	596,484,224	583,287,660

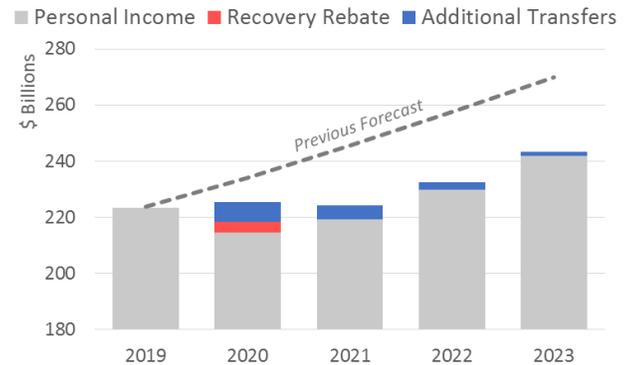
The budget challenge will vary for units depending on their mix of revenues. State funding is assumed down significantly, Ecampus up a lot, but Corvallis tuition down. The mix of operations and funding sources in units may have different consequences for a unit’s approach to balancing the budget.

The gap between revenues and expenses for Corvallis E&G is about \$49M (SWPS and Cascades and self-support operations will also have gaps to manage). The initial plan is to close that gap with \$6M of savings in service and supply spending, \$8M of institutional costs (largely capital renewal spending), \$8M of personnel costs savings (no mid-year raise, vacancies, delayed hiring), \$15M of fund balance use, and \$12M in savings from the university salary reduction program. If the gap between revenue and expenses is less than \$35M the salary reduction program will not be implemented and other savings will be used to close the gap. If it is used it will be adjusted proportionately to the size of the gap between revenues and expenses.

State and federal funding

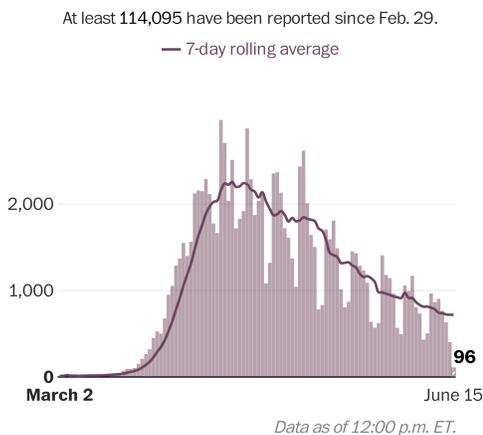
The original request to State agencies was to plan for an 8.5% biennial reduction or about 17% for FY20 from FY19. The revenue forecast was somewhat better than expected, though still down, and an across-the-board reduction, if chosen as an option, would look more like 3% for the biennium. However, there are some funding categories like debt service that cannot be reduced and pressures to support some areas more than others, so we have continued to plan the initial budget at the original reduction while continuing to advocate for support for higher education. It seems increasingly likely that there will be a special session of the Legislature though the timing remains uncertain.

Oregon Personal Income



There is a lot of discussion in Washington about additional coronavirus stimulus funding but the size, timing, and focus of any such funding is not clear.

Enrollment



Summer and Ecampus enrollments remain strong. Paid deposits for fall are also strong for both residents and non-residents though credit hours are down a couple percent right now. Those are good signs, but the largest unknown remains the progression and management of the public health challenge. The overall curve of deaths in the U.S. is declining (left) but some states are seeing persistent or increasing cases (Arizona, Florida, South Carolina and others).

There is ongoing work putting testing and tracing in place at OSU along with other protocols that have been described in the OSU Resumption Guidance¹. How the continuing pandemic development impacts enrollment decisions through the summer remains unknown.

Salary reduction program

Annual salary rate :	Marginal rate	Effective reduction percentage
up to \$30,000	0.00%	0.00%
\$30,001 to \$50,000	0.00%	0.00%
\$50,001 to \$70,000	6.02%	1.72%
\$70,001 to \$90,000	7.52%	3.01%

The salary reduction program is currently assumed to be at the \$49M budget case. This program is based on progressive marginal rates so brackets of salary are reduced at different rates (exactly the way a progressive income tax is structured). The “marginal rate” is the rate on the particular bracket (so \$0-\$50,000 the marginal rate is 0%, on the next \$20,000 it is 6.02%, on the next \$20,000 it is 7.52%, etc.). The effective

reduction is those accumulated reductions by bracket divided by the total salary.

The program exempts employees 100% on grant funds (and similar non-OSU derived funds like county funds), employees who already have had an FTE reduction, and employees on some athletics contracts who are subject to other reductions. The salary reduction program is described on the Office of Budget and Resource Planning website at https://fa.oregonstate.edu/sites/fa.oregonstate.edu/files/budget/salary_reduction_table_information_06-09-20.pdf

¹ <https://covid.oregonstate.edu/pandemic-resumption-planning>