

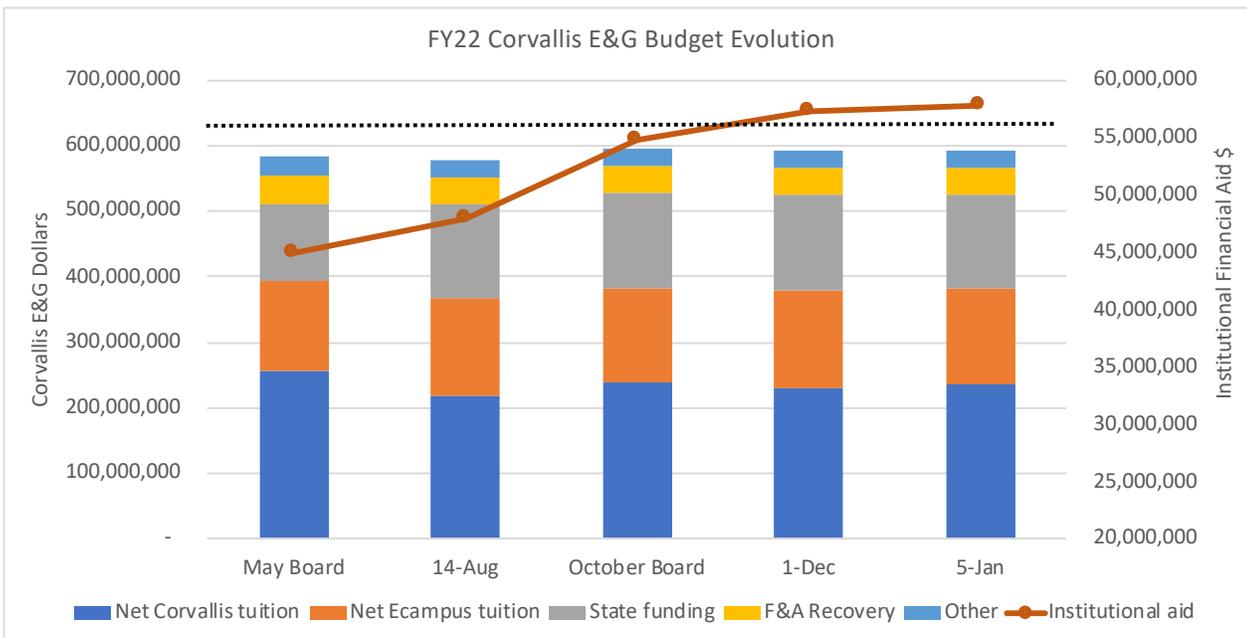
This has certainly been the most challenging time in higher education that most of us have ever seen. With the announcement of at least three vaccines with apparently high efficacy, it is fair to say we may be nearing the beginning of the end of the pandemic, though “normal” is certainly still months away as the manufacture and distribution of vaccines gears up. As the academic year moves on we continue to monitor and manage fiscal issues for the current year but are also working on developing the FY22 budget.

Timelines - Some of the important benchmarks for budget planning:

- October 16th Board of Trustees meeting ✓
- October 23rd Fourth week enrollment census ✓
- November 15th Beginning of registration for winter term ✓
- December 1st Governor’s recommended Budget for 2021-23 ✓
- December 1st Suspension of salary reduction program for all but senior administrators ✓
- December 7th Prospective FY22 budget model to units for planning ✓
- December 28th Federal relief package signed ✓
- January 19th Legislature convenes for 2021-23 session
- January 28-29th Board of Trustees meeting
- February 1st Priority application deadline for new freshmen
- February 24th State Revenue Forecast Update
- April 30th Preliminary FY22 E&G budgets
- May 19 State Revenue Forecast Update

Current Year Education & General (E&G) budget

E&G and self-support units have been working to balance their FY21 operating budgets through a combination of reduced services and supplies spending, delayed hires, management of vacancies, savings from the salary reduction program, and in some cases modest use of fund balance. For most units, these measures will get units close to a balanced budget. The budget has evolved a lot over the course of the year. The chart below shows the change in projected revenues since May (bars), the estimated historic pre-pandemic spending levels (dotted line at about \$632M), and the change in projected institutional financial aid. The revenue mix changed significantly (less net Corvallis tuition, more state funding, more Ecampus revenue) and there was a commitment to increase financial aid to students with need to help offset the impact of the pandemic. The gap between historic spending and projected revenue started at



about \$49M, grew to \$55M in August, dropped to around \$39M in October and has stayed about there.

The second federal relief funding will send about \$26M (\$7.8M of that for financial aid)

at least) to OSU to help cover additional costs (like testing) and make up some lost revenues (as in UHDS) but will not cover nearly the total of those losses.

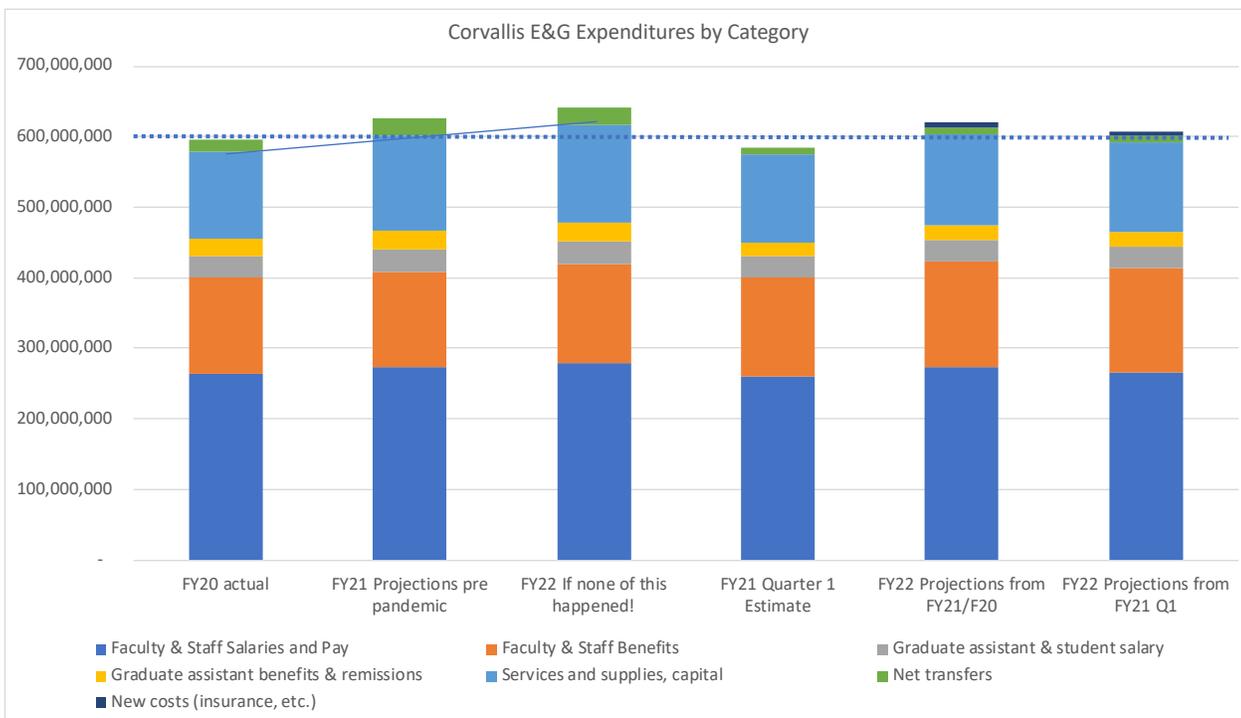
	Fall change 2020 over fall 2019	Projection fall 2021 over fall 2020
Total credit hours	-1.4%	0.5%
Ecampus	28.3%	5.9%
Cascades	5.9%	7.5%
Corvallis all	-5.9%	-1.8%
Resident undergraduate	-4.0%	-1.3%
Non-resident U.S. undergraduate	-2.9%	-0.4%
Non-resident, international, PRC	-32.1%	-13.7%
Non-resident, international, other	-24.2%	-14.7%
Graduate	-3.0%	0.1%

FY22 E&G Planning

Winter term enrollments don't show any unexpected loss of students and the financial projections for the year remain similar to those in late October. The initial loss of Corvallis undergraduates this year will carryforward to next year and we expect the growth in Ecampus to slow to more typical annual levels. The undergraduate projection here may be a bit optimistic though applications are currently up significantly.

Governor Brown released the Governor's Recommended Budget on December 1st. The major parts of funding for the seven public universities are flat-funded from 2019-21 in the 2021-23 budget. The exceptions include an addition to State Programs to fund the Veterinary Diagnostic Laboratory and an addition to SWPS funding for the costs of Corvallis facilities operations. Both of these items had previously been funded in the PUSF. The practical consequence is about a 4% decline from FY21 to FY22, as the state allocates 49% of the appropriation in the first year of a biennium and 51% in the second. The GRB is only the starting point for conversations with the Legislature, but it sets an important benchmark. While flat funding does not seem to be great news, it is better than had been anticipated given the revenue shortfalls the state is facing.

Assuming tuition increases in the 2.5% to 4.5% range, we are currently projecting Corvallis E&G revenues of about \$602M for FY22 (the dotted line in the chart below). Estimating expense for next year is challenging. The normal growth of expenses is shown by the three leftmost bars. The current year has significantly reduced expenditures as units work to match spending to reduced revenues (Quarter 1 Estimate) As OSU returns to more normal operations spending for some things (travel for example) will certainly increase. However, it is unlikely that revenues will support spending returning to FY20 levels (adjusted to FY22). The rightmost bar shows inflationary growth on current year spending, the next to rightmost bar spending inflated from a mix of FY20 and FY21 spending rates. We are entering



budget planning for 2021-22 assuming that current year budgets are the base from which we will work to build FY22 budgets. Active control of expenses is going to remain a part of budget management for next year as it was for this year.