

University Budget Conversations – February 11, 2021 Budget Planning in Uncertain Times



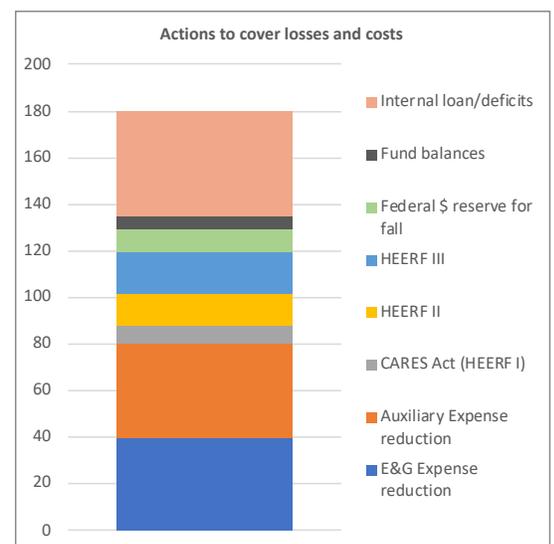
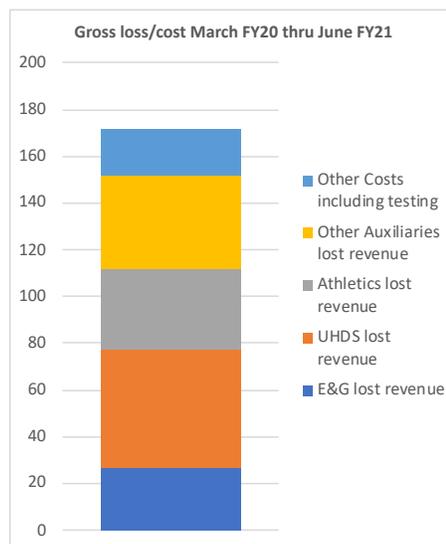
This has certainly been the most challenging time in higher education that most of us have ever seen. With the announcement of vaccines with apparently high efficacy, it is fair to say we may be nearing the beginning of the end of the pandemic, though “normal” is certainly still months away as the manufacture 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 developing the FY22 budget.

Timelines - Some of the important benchmarks for budget planning:

- 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 19th State Revenue Forecast Update

Current Year Update

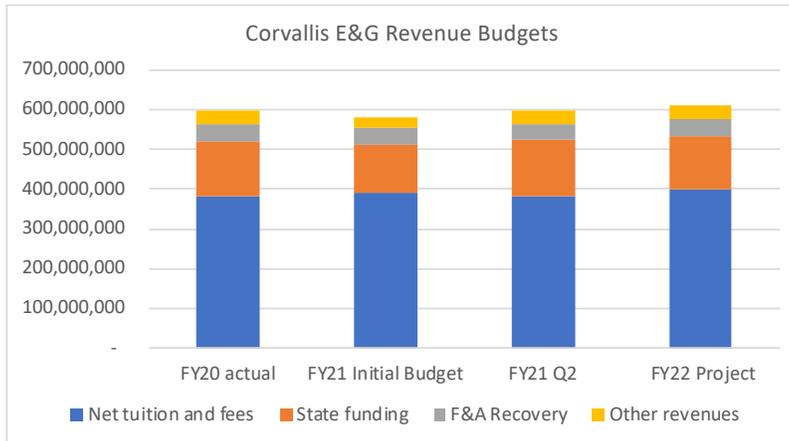
Overall, gross losses of revenues plus new costs for OSU’s Covid response total about \$170M from March 2020 projected through the end of this year. The current plan (very roughly at this stage) to cover those amounts is shown on the right. This includes the second federal relief funding of about \$26M (\$7.8M of that for financial aid) and an estimated \$47M in a third stimulus bill of which \$24M would be for aid to students.



Enrollments have been holding steady and Ecampus has maintained the increase seen in fall. The state did not cut funding this year and sales and service revenues have been stronger than expected and overall the Q2 Corvallis E&G projection is about \$14M better than the initial budget allocation (graph on next page). However, of that \$14M, \$2M has gone out to academic units to settle up for earmarked state funding (like ETSF) and \$11M will go out for Ecampus adjustments as the initial estimates of Ecampus settle up revenues were greatly underestimated. The remaining \$1M or so will help offset an approximately \$9M central reserve deficit.

FY22 Budget Planning

We are well into planning for the FY22 budget but there is a lot of uncertainty. One key assumption in the budget is that the FY21 initial budgets are the base from which FY22 budgets will be built (i.e. there won’t be any automatic reset to FY20 budgets). Governor Brown released the Governor’s Recommended Budget for the next biennium 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.

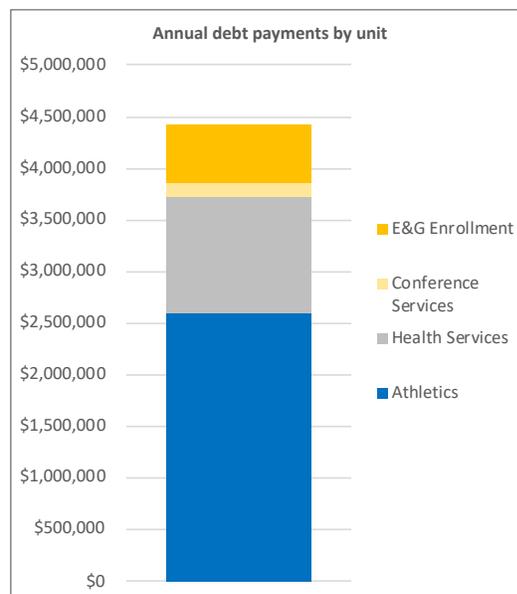
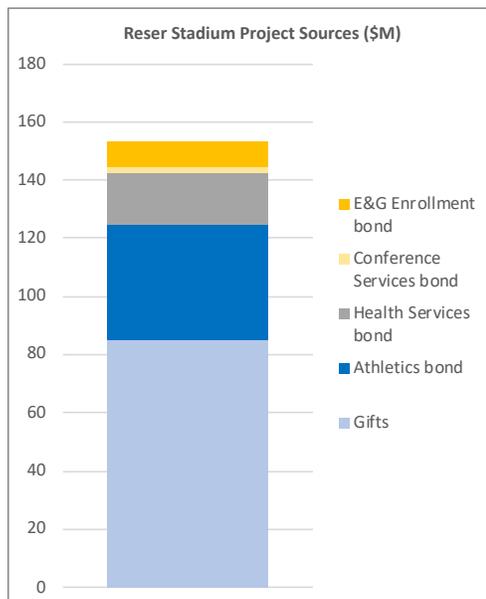
There is a revenue forecast near the end of February that will likely shape many discussions in Salem on the level of state funding. For enrollment in Corvallis, the assumptions are for a 1-2% decline in U.S. undergraduates in Corvallis, a 14% decline in international undergraduates, flat graduate enrollment, and 9% growth in Ecampus. With a tuition increase in the 2.8% to 3.5% range and significant increases in financial aid over FY20, the

FY22 Corvallis E&G budget is projected to be slightly up from FY20 and about \$26.6M up from the FY21 initial budget (a combination of the \$14M improvement this year and about \$12M net growth from the factors noted above). However, much of that increase will have to cover inflationary and other mandatory cost increases. There is projected to be about \$8M of new revenues to allocate for new or restored investments in the FY22 budget. This is very preliminary.

Increase FY22 budget from FY21 Initial budget:	26,650,000
Less raises and benefit increases:	(11,860,000)
Less general inflation:	(2,470,000)
Less property insurance:	(2,300,000)
Less debt service and new ops:	(1,510,000)
Balance for new allocations:	8,510,000

Reser Stadium Overview

There have been a lot of questions about the Reser Stadium west side project since the Board of Trustees approved the Stage Gate 1 step of the project on January 28th. The structure of the project as discussed with the Board is summarized below. The project is currently estimated to cost \$153 million and includes a complete replacement of the west side of the stadium, space for a new health services facility (replacing the Plageman Building); a new state-of-the-art interactive welcome center for students considering attending OSU; and additional space for meetings for students, faculty and staff. The funding (left bar graph below) is \$85M in gifts, \$40M of debt for the stadium structure (debt service paid by athletics incremental premium seating revenues), \$17.5M of debt for the health facility (debt service paid by incremental revenues from health services and insurance billings), and \$10.5M of debt for the welcome center and meeting space (repaid from revenues from improvements in new student recruitment and small increases in non-E&G



meeting and conference revenues). Even small increases in enrollment...for example attracting just 20 more new students per year after three years... is more than enough to cover that debt service. The right-hand bar graph shows the estimated annual debt payments for each portion of the project to be financed by debt (either from the state as XI-F bonds or from OSU revenue bonds). The estimates will be updated as design proceeds over the next months.