University Budget Conversations – April 22, 2021

Budget Planning in Uncertain Times

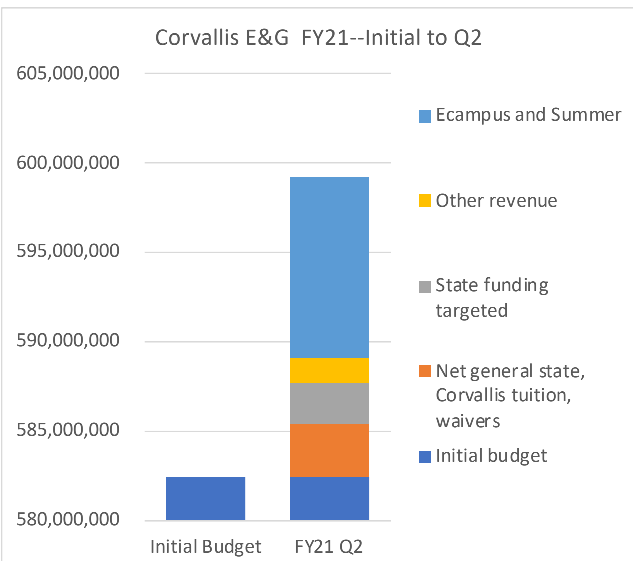
This has been a difficult, remarkable, stressful, and disruptive year on every front. OSU is currently in better financial shape than we had ever expected 13 months ago, despite significant revenue losses and unexpected costs. The financial picture for next year still has many uncertainties but is on a positive trajectory.

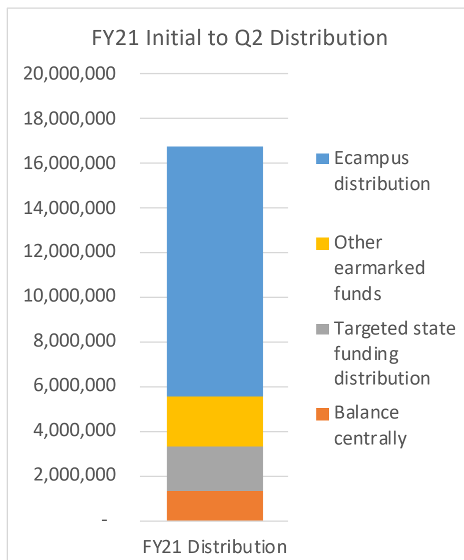
Timelines - Some of the important benchmarks for budget planning:

- March 11, 2020 WHO declares the novel coronavirus outbreak a global pandemic√
- April 2nd Board of Trustees meeting, tuition rates√
- April 30th Preliminary initial budget (we hope)
- May 10th START signup opens
- May 16th Registration for fall opens
- May 19th State revenue forecast (basis for 2021-23 funding)
- May 21st Board of Trustees, FY22 budget approval

Current Year E&G Update

Overall, gross revenue losses plus new costs for OSU's Covid response total about $170M from March 2020 projected through the end of this year. The second federal relief funding of about $26M ($7.8M of that for financial aid) and the third stimulus bill ($47M with $24M in student aid) will both help a great deal in managing the losses and costs.





Corvallis E&G started the year assuming a $49M gap between revenues and typical expenses. We are about $16.7M better in revenue than expected.

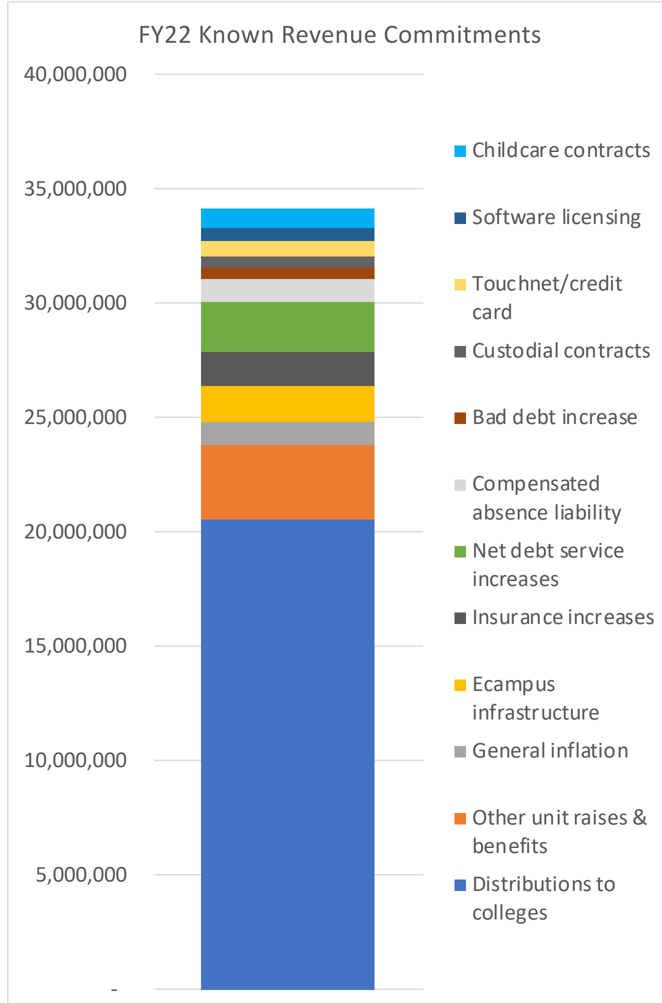
The state did not cut funding significantly this year, Ecampus enrollments remained strong, and sales and service revenues have been stronger than expected. Corvallis enrollments were lower than expected though, despite significant increases in financial aid. Of the FY21 increase about $11.2M is being distributed back to academic units as Ecampus settle-up to actuals. This reflects both the large growth in Ecampus and an initial underbudgeting of that central settle-up reserve. $2.05M has been distributed to units from targeted state funding (support for things like the Institute for Natural Resources) and about $2.2M will be distributed as sales and services revenues to the units running those services. The balance of about $1.3M (the net of increased state funding, decreased Corvallis tuition, and increased institutional financial aid) defrays part of the initial central $9M deficit.

Revenue projection for FY22 Corvallis E&G from FY21 Initial Budget

	FY21 Initial Budget	FY21 Q2 Estimate	FY22 Projection	FY22 delta from FY21 Initial
State funding general	101,462,689	125,914,978	124,184,060	22,721,371
State funding targeted	16,953,205	19,180,641	19,723,231	2,770,026
Other revenue	70,650,971	72,045,374	74,905,331	4,254,360
Ecampus and Summer	146,103,374	156,200,530	173,432,316	27,328,942
Other tuition & fees	292,253,939	283,622,127	287,288,412	(4,965,527)
Tuition waivers	(44,989,312)	(57,778,893)	(59,546,000)	(14,556,688)
Total	**582,434,866**	**599,184,757**	**619,987,350**	**37,552,484**

Assumes funding at the co-chairs budget level, up from Governor's budget
Assumes 10% increase in Ecampus, flat graduate, down 1.3% resident UG, down 4% non-resident UG
About half of $37.6M growth is FY21 actuals over initial, balance is growth FY22 over FY21 actuals

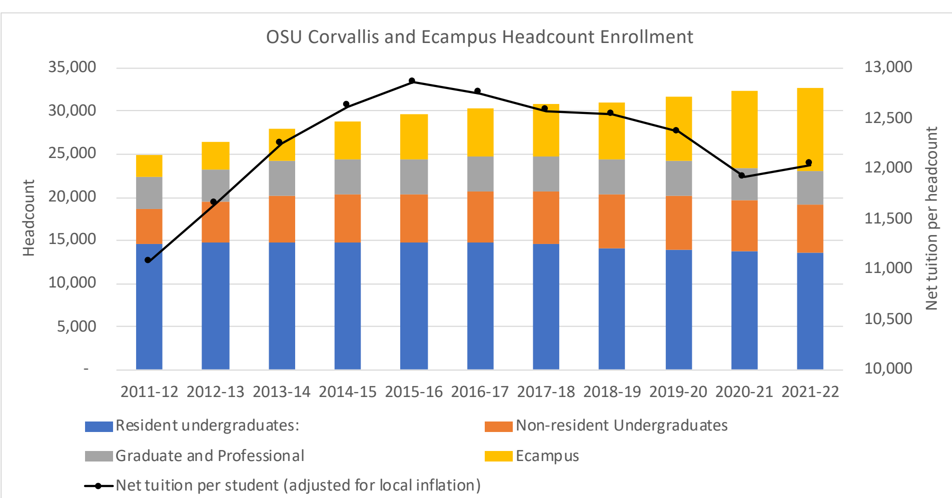
FY22 Budget Planning



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). The co-chairs budget adds about $7M more than the Governor's budget, Ecampus growth is expected to continue, but we forecast declines in Corvallis undergraduates (though application numbers provide some cause for optimism). The budget overall is up about $37M over the FY21 initial budget (table above). That increase is extremely positive. However, much of the revenue growth is committed either to revenue distribution agreements or contractual obligations. In general, there are three categories of expense increases each year:

- Rollup costs for raise and benefit commitments to employees. The raise rollups are modest this year, as only SEIU-represented employees saw increases (steps and COLA). Benefit increases are set by the state and while much smaller than in some biennia are still significant.
- Increases for contractual obligations and general inflation. This includes debt service, utilities, software contracts, childcare agreements, insurance, etc. as well as an increased cost for bad debt allowances and compensated absence liability (the university is required to maintain a reserve for unused vacation hours).
- Commitments to new positions, programs, software, projects, support services, etc. These are all choices in any given year but many have a long-term impact on operating costs or quality of services and programs.

Also, there are commitments for distributions to colleges for growth in Ecampus, targeted state funding, sales and services, and other dedicated funds. Those distributions and existing obligations total $34.6M, leaving an estimate of $2.4M centrally for new investments or commitments. There are about $25.9M in requests for new commitments.



A Longer-term Context Point

Tuition from Ecampus has been growing as a part of the E&G budget (projected to be 28% next year). That has helped support expense growth and critical investments, but the net revenue per student has been declining, as Ecampus students are more often part-time and there is not traditional non-resident tuition for Ecampus. So even as we grow in headcount the revenue per student (adjusted for inflation) may be less. This isn't a bad thing, just a reality of our changing budget landscape.