

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. The work of everyone on campus has been quite remarkable.

### Principles

- 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.
- We are trying to be flexible and creative in solutions as the situation moves to impact different parts of the university. This may involve reconsidering some of our past practices and boundaries on things like subsidies across funds, use of fund balances, or financing some costs, etc.
- We have to accept significant uncertainty as part of our planning for several months. Planning right now is for two scenarios: one that we are back to normal or at least modified in-person operations in fall and the other that fall instruction is delivered largely remotely and there are still significant limitations on in-person interactions. We have to manage that uncertainty while providing as much support and reassurance as possible to the university community.

There are two major budget issues being addressed now:

### Spring quarter, 2020

The largest challenge in spring was in our auxiliary units, especially University Housing and Dining Services, where spring term residency is down to about 600 students from a capacity of more than 5,000 students. In OSU Athletics, spring sports are cancelled and significant revenue sharing from winter NCAA and PAC-12 conference tournaments will not materialize. All told, gross revenue losses to OSU related to COVID-19 will exceed \$38 million in FY20.

The losses in auxiliaries and other funds will be managed through several steps:

- Use of Federal CARE funding of approximately \$15.7 million, including \$700,000 for OSU-Cascades (of which \$7.5M will be distributed directly to students impacted by the changes to remote delivery).
- Significantly reduced expenditures for services, supplies and business travel.
- Restructuring of debt payments in auxiliaries.
- Use of cash reserves planned for UHDS renovations to cover some spring term student housing and dining operating shortfalls.
- Directing all senior academic and administrative leaders to limit hiring to positions absolutely essential to maintaining undergraduate and graduate students' progress to degree completion.
- Evaluating staffing and benefit options for those individuals where work may no longer be available.

These steps will allow us to minimize layoffs at this time. However, our financial position going forward depends on how quickly OSU returns to pre-COVID-19 operations; whether enrollments remain robust in the summer and fall terms; whether the state maintains our funding in the current biennium; and whether additional federal and state emergency relief is provided.

Fiscal year 2021 (Summer, 2020 through Spring, 2021)

- **Pandemic Scenario Planning.** OSU’s COVID-19 Continuity Management Team, is evaluating several pandemic recovery scenarios based on varied timelines for a return to face-to-face instruction and on-site operations (see figure below for example of revenue scenarios).
- **Hiring Freeze.** Until further notice, and with limited exceptions, all hiring must stop. Exceptions to the hiring freeze must be approved by the Provost and the Vice President for Finance and Administration. Exceptions may be granted for positions that are essential to the continuity of academic programs; fulfilling research contracts and grants; and fulfilling funded commitments.
- **Freeze on Discretionary Salary Increases.** Until further notice, discretionary off-cycle salary increases for professional and academic faculty must stop. Exceptions must be approved by the Provost and the Vice President for Finance and Administration and may be granted in limited situations to facilitate retention, pay equity or promotions.
- **Services and Supplies Spending Restrictions.** Reduce expenditures wherever possible. Purchases should be restricted to those critical to maintaining the continuity of our land grant research mission, meeting the terms of contracts and grants, and supporting priority operations.
- **University-sponsored Travel.** Non-essential OSU travel remains suspended until further notice.
- **FY21 Budget Reduction Planning.** All academic and administrative leaders will be asked to develop FY21 budget scenario plans that anticipate E&G spending reductions of 3%, 7% and 10%.

*Figure 1. Outline of scenario planning approach for 2020-21. This is only partially done and is an illustration of various cases we will need to plan for over the next weeks. The 3%-7%-10% reduction planning brackets most of these projected revenue reductions.*

FY21 OSU Covid Revenue Budget Planning Matrix		
Scenario 1: Return to normal to modified operations in Fall, 2020 (preliminary version---updates regularly)		
<p style="text-align: center;">Case 1:</p> <p style="text-align: center;">State reduction (-10%) Resident 0% International (-10% to -15%) U.S. non-resident (-5%) Graduate (0% to -4%)</p>	<p style="text-align: center;">Case 2:</p> <p style="text-align: center;">State reduction (-15%) Resident (-3%) International (-15% to -20%) U.S. non-resident (-10%) Graduate (0% to -7%)</p>	<p style="text-align: center;">Case 3:</p> <p style="text-align: center;">State reduction (-20%) Resident (-5%) International (-20% to -30%) U.S. non-resident (-15%) Graduate (0% to -10%)</p>
<p>Corvallis E&amp;G (-5.2%) Auxiliaries (-6.1%) Restricted funds (-1.6%) SWPS (-8.4%) Cascades (-4.4%)</p>	<p>Corvallis E&amp;G (-7.8%) Auxiliaries (-10.0%) Restricted funds (-4.4%) SWPS (-13.2%) Cascades (-8.2%)</p>	<p>Corvallis E&amp;G (-10.0%) Auxiliaries (-14.0%) Restricted funds (-6.3%) SWPS (-18.0%) Cascades (-11.6%)</p>
<p>Strategies and actions</p> <ul style="list-style-type: none"> <li>S&amp;S reductions</li> <li>Travel suspension</li> <li>Hiring freeze</li> <li>Personnel adjustments</li> </ul>	<p>Strategies and actions</p> <ul style="list-style-type: none"> <li>S&amp;S reductions</li> <li>Travel suspension</li> <li>Hiring freeze</li> <li>Personnel adjustments</li> </ul>	<p>Strategies and actions</p> <ul style="list-style-type: none"> <li>S&amp;S reductions</li> <li>Travel suspension</li> <li>Hiring freeze</li> <li>Personnel adjustments</li> </ul>
<p>These are scenarios---not plans or decisions.</p>		

### **FY21 Expense Reduction Planning Guidelines**

President Ray, in his message on April 15<sup>th</sup>, noted a number of actions OSU is taking to plan for the significant financial challenges and uncertainty facing the university. Those actions included a hiring freeze, freeze on discretionary salary increases, reductions in services and supplies spending, and planning for reduction of FY21 expenses. These guidelines address the directive to develop FY21 budget scenario plans that anticipate E&G spending reductions of 3%, 7% and 10%.

These guidelines provide academic and administrative leaders guidance to develop FY21 budget scenario plans that anticipate E&G spending reductions of 3%, 7% and 10%.

#### Why is this exercise necessary?

The uncertainty in projecting next year's revenues is unprecedented for two reasons. First, the state legislative will likely convene sometime in May after a revised revenue forecast. That forecast will be down significantly and it appears increasingly likely that OSU will see a significant reduction in state funding next year.

Second, while student applications and deposits are up over last year, most of that activity happened before the pandemic and historic yield rates provide no good guidance for how many students will actually enroll. Oregon residents, international students, and non-resident U.S. students all face different family, economic, and emotional circumstances and it is unclear how they will react. Many of their decisions will depend on how the situation develops through August. National surveys suggest significant proportions of students (10-20%) would choose to skip a year or attend community college rather than engage in another fall term of fully remote instruction.

Given that we likely will not be confident of enrollments until late in August, planning for a number of scenarios is essential.

#### Why 3%, 7%, and 10%?

While there is significant uncertainty, we do have some idea of what possible declines in state funding and enrollment could look like. There is planning underway for two scenarios (Scenario 1 assumes a return in fall either fully or somewhat modified and Scenario 2 assumes significant or all remote teaching in fall). Both include three cases with varying degrees of revenue decline.

Those six planning cases suggest Corvallis E&G revenue shortfalls relative to expected expenses of 5% to 12.5% (\$20.5M to \$67.0M). Reductions of 3%, 7% and 10% bracket most of those cases and provide realistic planning targets.

Table 1 shows detail on the assumptions about enrollment and state funding, as those may be relevant for units in assessing reduced demand for class sections or student services.

Colleges associated with Statewide Public Service units should provide a 3%, 7%, and 10% scenario for their E&G budgets and a 5%, 10% and 15% scenario for the SWPS budget. The larger range is because the SWPS are more heavily reliant on state funding.

### What is the baseline for the reductions?

The issue is a reduction of expenses. Initial budget is not a good guideline as there are significant resources distributed to units during the year that are not part of initial budget. Table 2 shows FY20 initial budget for major units and the Q3 estimate of FFY20 expenses (note expenses reflect where funds are spent—so things like transfers of budget from Ecampus to a college for course development show up as a college expense).

Average inflation (aggregate of raises, benefits, S&S) is expected to be about 3.2% and Table 2 shows a rough estimate of what FY21 expenses would be for units with a 3.2% increase on FY20 projections. 3%, 7% and 10% targets are calculated from that. We recognize this is an estimate---the goal is to identify actions that will provide savings on an appropriate scale and this will provide sufficient detail at this point.

A preliminary initial budget will be available at the end of April or early May and that will help inform unit planning if there are model driven increases or decreases or incremental additions from decisions by the Provost or Vice President for Finance and Administration.

### How should units respond?

Table 3 provides an example of a template units can use. If there is a format that works better for a unit you can use that. However, responses need to be specific about actions---areas of S&S reductions, programs to be sunset or changed, workload adjustments to decrease overall workforce, projects delayed, etc. and amounts of expense reductions expected from those actions. There should be clear definition of reductions associated with the 3%, 7%, and 10% reductions. At the larger reductions we recognize that assumptions about personnel reductions will be necessary. Guidance about the degree to which a salary reduction program applying to all employees could be a university-wide component of planning will be available shortly.

### What is the deadline?

Initial responses should be provided to Sherm Bloomer in the Budget Office by May 15<sup>th</sup>. These will be updated and refined as there is more detail about the most likely budget scenarios.

### Other questions?

Don't hesitate to contact the Budget Office with questions about process or numbers, or the Provost, VPFA, or your supervisor if there are policy or strategy issues. This is difficult because of the extreme uncertainty and because these decisions impact people in each of your units. As we plan for this, it is worth remembering this is not a permanent change or permanent downsizing. OSU's faculty, programs and reputation remain strong. As the pandemic subsides our education and research work will fully return. We want to weather this time keeping as many of our employees and programs as we can, while making sure we are positioned to continue the vision documented in SP4.0.

Table 1. DRAFT

Assumptions for three revenue Cases in Scenario 1:							
Scenario 1: Rapid and effective control—remote teaching for summer with some on-site activity (prior and during summer)—full return by Fall. <b>Changes in boxes are to pre-Covid projections (which had Corvallis down about 1%-3% in undergraduates, flat graduates, Ecampus +7%; Cascades up 4%, state funding up 4%, others up 2% to 3%)</b>							
Columns C, F and I show assumptions on enrollment or revenue projections relative to original FY21 estimates							
Total across funds given assumptions:							
				Expense estimate		Expense estimate	
<b>Education and General Funds--Corvallis</b>				<b>634,751,000</b>		<b>634,751,000</b>	
		CASE 1		CASE 2		CASE 3	
	FY21 Original Projection with Board tuition	Additional Changes for Covid Case	FY21 projection with Covid reductions	Additional Changes for Covid Case	FY21 projection with Covid reductions	Additional Changes for Covid Case	FY21 projection with Covid reductions
State funding	144,409,627	-10%	129,968,664	-15%	122,748,183	-20%	115,527,702
F&A Recovery	42,947,712	0%	42,947,712	-3%	41,659,281	-5%	40,800,326
Interest	10,200,000	-5%	9,690,000	-10%	9,180,000	-15%	8,670,000
Sales and services	21,257,764	0%	21,257,764	-5%	20,194,876	-5%	20,194,876
Other	3,725,060	0%	3,725,060	-5%	3,538,807	-5%	3,538,807
SELP	1,072,584	0%	1,072,584	0%	1,072,584	0%	1,072,584
Fees	10,146,597	-5%	9,639,267	-7%	9,436,335	-9%	9,233,403
Tuition							
Subtotal Res Undergraduate	110,198,920	0%	110,198,920	-3%	106,892,952	-5%	104,688,974
Subtotal NR Undergraduate			-				
US NR Undergrad	80,249,812	-5%	76,237,321	-10%	72,224,830	-15%	68,212,340
China international undergrad	18,089,594	-15%	15,376,155	-20%	14,471,676	-30%	12,662,716
Other international undergrad	23,067,268	-10%	20,760,541	-15%	19,607,178	-20%	18,453,814
Subtotal Res Graduate	28,322,150	2%	28,888,593	3%	29,171,815	5%	29,738,258
Subtotal NR Graduate			-				
US NR Grad	6,262,628	2%	6,387,880	3%	6,450,506	5%	6,575,759
China international grad	2,461,767	-15%	2,092,502	-20%	1,969,414	-30%	1,723,237
Other international grad	4,801,799	-10%	4,321,619	-15%	4,081,529	-20%	3,841,439
Subtotal Vet Med	10,175,622	0%	10,175,622	0%	10,175,622	0%	10,175,622
Subtotal Pharmacy	9,998,174	0%	9,998,174	0%	9,998,174	0%	9,998,174
Subtotal Miscellaneous	1,533,505	0%	1,533,505	0%	1,533,505	0%	1,533,505
Ecampus tuition	130,578,599	3%	134,495,957	5%	137,107,529	8%	141,024,887
Summer	8,094,798	-5%	7,690,059	-10%	7,285,319	-15%	6,880,579
Waivers*	(44,989,312)		(44,321,387)	0%	(43,453,882)	0%	(42,768,275)
<b>Total</b>	<b>622,604,668</b>		<b>602,136,512</b>		<b>585,346,232</b>		<b>571,778,727</b>
<b>Revenue to Unmodified Expense Gap</b>	<b>-2.0%</b>		<b>-5.2%</b>		<b>-7.8%</b>		<b>-10.0%</b>

Tables 2 and 3 in progress

Tuition pricing strategies and issues  
Undergraduate rates

<b>Category</b>	<b>Resident undergraduate</b>	<b>Non-resident undergraduate</b>	<b>Ecampus</b>
Rate per credit hour	\$212	\$632	\$309
45 credits a year	\$9,840	\$29,445	\$13,905
Fees per year?	\$1,869	\$1,869	\$0
Total \$ per SCH	\$260.20	\$695.87	\$309
Contributes to	Direct instruction Advising and support Course development Academic administration University administration Facilities Library Fixed operating costs	Direct instruction Advising and support Course development Academic administration University administration Facilities Library Fixed operating costs	Direct instruction Advising and support Course development
Comments	State funding per resident, building construction (and some maintenance). Tuition doesn't cover cost of instruction.	Closest to full cost of education	Rate not designed to support fixed costs of instruction, infrastructure and operations.