

FY2016 Operating Budget Outlook

EDUCATION & GENERAL FUNDS

Corvallis Campus

Cost increases on current operations are expected to be on the order of 3.4% (planning for a 3% average salary increase, 4-5% increases in benefits, and 2.5% general inflation). There are also commitments for new investments focused on student success, including costs for the new classroom building, 40 new faculty positions in areas of need, and improvements in key support staff areas. The overall increase in expenses is estimated at 7.5%.

There are two areas of major uncertainty in our revenue projections. The first is state funding. On January 14, 2015, the Co-Chairs of the Joint Committee on Ways and Means released their budget framework for 2015-17. That framework provided a significantly greater allocation to the public universities than did the Governor's budget. The state allocation is also complicated by the Higher Education Coordinating Commission's (HECC) work to move from the current allocation model to a more outcomes (degree) based funding model. The May revenue forecast will have an impact on the level of state funding. The most recent forecast released on February 19, 2015 signaled a likelihood that expected collections of personal income tax will trigger the "kicker" – a refund to state taxpayers that would reduce the amount of resources available to fund the state's 2015-17 budget.

The second is resident undergraduate tuition rates, depending on decisions about the 5% threshold. The higher revenue projection for Education & General funds (E&G) (the recommended tuition change and the Co-Chairs' budget) provides about 7.9% in revenue. The lower projection (Governor's budget and a 5% cap on resident tuition) yields about a 6.9% increase. The latter funding level would require adjustments in current commitments.

Cascades Campus

Cost increases for current operations for the Cascades campus will be similar to those for Corvallis. However, there are significant new costs associated with staffing to deliver four-year degree programs. These include new faculty, equipment for courses, and staff to support students from registration through graduation.

The change in the state allocation model in development by HECC also creates a degree of revenue uncertainty for Cascades. The state allocation is currently more than 40% of the Cascades operating budget. The most important revenue increase for Cascades will be from increases in student enrollment. At present, we are projecting growth of approximately 100 students for Fall 2015.

Statewide Public Services

The Statewide Public Services (SWPS) will see similar cost increases for current operations as the Corvallis campus operations. The Governor's budget provided a small inflationary increase for the SWPS. However, the leaders of the SWPS units are working with stakeholders and legislators to build support for an additional \$16.0 million investment to address key areas of

need for the state, including water quality and quantity, sustainable agricultural and rangeland practices, and public health.

RESTRICTED FUNDS

The three largest components of restricted funds are grant and contract expenditures, expenditures from OSU Foundation accounts in support of scholarships and other activities, and Federal financial aid awards.

Federal financial aid funding is expected to be flat, based on projected appropriations.

Expenditures from the Foundation are expected to increase slightly, depending on the rate at which campaign gifts are fully realized and the market returns on endowed funds.

A significant increase in grant and contract expenditures is expected because of growth in grant awards last year and this year. FY2014 awards were up to \$202.2 million from \$182.2 million in FY2013, and the award rate in FY2015 is on track to exceed \$200 million again.

SELF-SUPPORT FUNDS

Self-support operations will see cost increases driven by the same factors as those in E&G funds: compensation, general inflation, and benefit rate increases in health insurance and retirement. Revenues to offset these increases will come largely from rate increases in charges for services. Issues of particular note:

- Housing and Dining, based on current enrollment projections, is expecting high occupancy rates (which come with increased operation and staffing costs) and a balanced operating budget.
- Parking Services has seen significant success with the new campus parking model and will continue to refine that operation.
- Athletics operating budget is still projecting an operating deficit for FY2016. It is too soon in the year to project total giving for Athletics, but a significant increase in both giving and commitments to season tickets is expected because of the hire of football Coach Andersen and the success of the men's and women's basketball teams.