FY2023 Operating Budget

BACKGROUND

The Board of Trustees is charged with reviewing and approving the University's annual operating budget. The budget supports the educational, research, and engagement goals of OSU's Strategic Plan 4.0. This year, OSU saw significant recovery from the revenue losses of fiscal year 2021 (FY21), though revenues are not fully back to pre-pandemic levels. The fiscal year 2023 (FY23) budget projects significantly increased revenues over a year ago that will help cover substantial cost increases in compensation, service and supplies costs, and obligations for debt service and insurance. The budget forecasts spending some of the fund balance accumulated in FY21 and FY22 through delayed capital renewal spending and delayed spending of appropriated funding for Outdoor School.

There is more certainty about the budget for FY23 as operations coming out of the pandemic are nearer to pre-pandemic activity. The proposed budget incorporates the financial impact of tuition increases approved in April, projected enrollment growth in Ecampus of 7%, expected continued strong growth at OSU-Cascades, projected enrollment growth in resident undergraduates in Corvallis of 0.2% and of non-resident undergraduates of 4.9% (with strong growth in domestic non-residents but some loss of international students), and anticipated mostly flat enrollment in graduate and professional programs. FY23 is the second year of the biennium so state funding is known; a 4% increase over FY22. Restricted fund operations are expected to be at pre-pandemic levels and *most* self-support operations will have resumed full operations, though revenues will lag in some areas and inflationary cost pressures will have differential impacts on those operations.

For the fiscal year July 1, 2022 through June 30, 2023 (referred to as FY23 throughout), the university proposes an operating budget (see Figure 1 and Tables 1, 2, 3 and 4) with three principal components totaling $1.533B (billion) in revenues and $1.548B in expenditures, net transfers and fund deductions:

- **Education and General (E&G) Funds** support instructional, research, and outreach work on the Corvallis Campus, on the OSU-Cascades campus in Bend, and in the Statewide Public Services. The revenue budget is projected as $804.3M, with projected expenditures of ($804.5M)[1] and net transfers out of ($12.5M). The projected fund balance change is negative ($12.8M), with an ending fund balance of $178.4M or 22.2% of revenues. The decline in fund balance is due largely to spending down some fund balance for Outdoor School and capital renewal projects.

- **Self-Support Funds include Auxiliaries** (Athletics, Housing & Dining, Student Centers, etc.), Service Centers, Designated Operations, and Royalties. The revenue budget is projected at $252.7M, with projected expenditures of ($249.3M) and net transfers out of $2.4M. There are also ($15.9) in other deductions to unrestricted net assets. Unrestricted net assets are projected to decrease by $14.9M, for ending unrestricted net assets of $(10.3M), or -4.1% of revenues.

  Restricted Funds include expenditures from externally funded grants and contracts and gift expenditures from the OSU Foundation and other entities. Revenues and expenses

[1] Negative numbers appear in parentheses.

are consistently at or near balance in these funds as expenditures are limited by revenue. FY23 revenues are projected to be $476.0M, expenditures ($428.6M), and net transfers at ($35.1M), the largest of which is for construction associated with the PacWave project.

BUDGET CONTEXT

OSU's operating budget provides a plan to develop and distribute the resources for the faculty, staff, and leadership to pursue the goals outlined in Strategic Plan 4.0. OSU's vision is to "lead among land grant universities in the integrated creation, sharing and application of knowledge for the betterment of humankind." The plan has a strategic focus on building four areas of distinctive strength by 2030 (innovation in education, inclusion, and collaboration; revolutionary earth systems science; leading in health and wellness, and advancing economic prosperity and social progress). The four goals in the plan are:

- Preeminence in research, scholarship, and innovation;
- Transformative education that is accessible to all learners;
- Significant and visible impact in Oregon and beyond; and
- A culture of belonging, collaboration, and innovation.

These goals guide decisions about developing and distributing budget to academic units, service and support units, and long-term strategic investments like capital and fundraising.

OSU is still seeing effects from the pandemic in overall revenues and there are significant cost increases in some areas of operations. However, the overall financial outlook is more positive than a year ago and is consistent with the most recent version of the Ten-Year Forecast.

FY22 Update

Education and General revenues in FY22 are very close to initial budget, though the mix of funding is somewhat different than forecast ($15M more in state funding and $15M less in net tuition). Expenditures are within 1% of budget. Transfers in are up significantly because of the receipt of HEERF III federal relief funds and transfers out are up, as some of the HEERF III funding is projected to support losses in self-support operations. Net transfers out are about $18M less than forecast, so the ending fund balance is projected to be up from $172.0M to $191.1M or 24.9% of operating revenues. Of the fund balance, $21.3M is in Outdoor School, as it will take some time for school districts to spend out the balance accumulated during the pandemic.

Self-support funds are significantly improved from the initial budget with projected ending unrestricted net assets of $4.5M, up from a projected ($16.6M). Drivers were stronger demand for University Housing & Dining Services (UHDS) and slower growth in personnel costs than forecasted because of challenges in staffing.

Restricted fund revenues are up about 4% and transfers out are up about $30M. These are principally from the receipt of the federal HEERF III funding and the subsequence transfer of those funds to E&G and a transfer to plant funds for the PacWave project. Ending balances are projected at $6.2M, down from a budget projection of $9.8M.

Overall, OSU is projected to end the current year up 2.2% from budget, with revenues of $1.476M and ending unrestricted assets of $201.9M, or 13.7% of operating revenues (up from the budget forecast of 11.4%).

FY23 Overview

Figure 1 illustrates the revenues and expenses proposed in the FY23 operating budgets for the three major funds. In FY23, the university will be spending some of the unrestricted net assets built in FY21 and FY22 as some of the backlog of Outdoor School funds are spent, some delayed capital projects are resumed, and as hiring into vacant positions requires commitments to faculty/staff setup and space renovations. In FY23, both revenues and expenses in E&G and self-supports are expected to grow as OSU returns to near pre-pandemic operations. Self-support operations will still see a loss in FY23, principally because of some losses in Athletics, losses in health services (as service demands remain high but pandemic-related external revenues decline), units fund delayed capital improvement projects or launch new ones, and operating margins prove insufficient to cover annual costs of adjustments for debt service principal payments. Some of the smaller self-support operations may take another year or two to return to pre-pandemic levels of revenues. Restricted fund growth is expected to remain strong and will exceed pre-pandemic levels.

While revenues will improve in FY23, they will not all return to pre-pandemic levels. Figure 2 provides an estimate of the projected FY23 revenues by fund, compared to what approximately would have been expected in the absence of the pandemic. Restricted funds will exceed pre-pandemic projections, but E&G funds will lag those levels for a while (95% in FY23) and self-support funds will be significantly less than what would have been expected pre-pandemic (88% of pre-pandemic projections). It is likely to take more than one fiscal year to return to pre-pandemic revenue and spending levels and a few years to rebuild operating reserves in the major self-support units.

EDUCATION AND GENERAL FUNDS

Education and General (E&G) Funds support Corvallis academic and support operations, OSU-Cascades academic and support operations, operations of the Statewide Public Services (SWPS), and the state's Outdoor School program. The FY23 budget presents different challenges for each of the three operations.

Strategic Intent

The two priorities for the FY23 budget are to reach fully pre-pandemic levels of activity and to continue to make progress on actions to advance Strategic Plan 4.0. Leadership and units at all levels are continuing work on changes and innovations to improve the student experience, student outcomes, research success, and public engagement.

Revenues

The total revenue change in E&G funds compared to the FY22 Board-approved budget is projected to be an increase 4.6% or $35.3M ($6.6M in the Statewide Public Services, $2.6M for Outdoor School, $23.3M at Corvallis and $2.8M at OSU-Cascades). This assumes growth in OSU-Cascades similar to recent years, 7% growth in Ecampus, a 0.2% reduction in resident undergraduates in Corvallis, a 4.9% growth in non-resident undergraduates in Corvallis, flat graduate and professional enrollment, and state funding consistent with the second year of a biennium (4% over FY22 actual allotments). Total operating revenues are projected to be $804.3M.

Expenditures and Net Transfers

Expenditures in E&G funds are projected to increase 5.3% in personnel and 6.8% in services and supplies spending, relative to FY22 budgets, as operations move towards more typical levels (Tables 1, 5). However, the revenue growth will not be sufficient to return all the way to pre-pandemic levels of spending (Figure 2). Expense management will continue to be important.

Net transfers out in FY23 are projected to be about $12.5M, though that may change as units consider where capital renewal or capital equipment replacement are critical.

Ending fund balance in E&G is projected to be $178.4M or 22.2% of operating revenues, a reduction of $12.8M (Table 5). This includes spending about $8.9M of the current Outdoor School balance (which will still end at $21.3M). Excluding the Outdoor School operations, E&G fund balances are projected to end at $157.1M or 20.1% of revenues. Managing to somewhat higher E&G ending fund balance is important right now to offset the current lack of reserves in self-support operations.

Uncertainties, Issues, and Opportunities

The proposed operating budget is an estimate of the resources and investments for the next fiscal year and there are some uncertainties in the projections. Each of the three major operating parts of the Education and General budget face some challenges in the next year.

FY23 is the second year of the biennium, so state funding is relatively well-known and will increase about 4% over FY22 actual funding, less some one-time allocations that were made in FY22.

Nationally, enrollment was already flattening before the pandemic as growth in the traditional college-age population slows. Enrollments in Corvallis had been declining for some years before the pandemic and the effects of the pandemic accelerated these trends. In particular, international student enrollments were down significantly in fall 2020 and community colleges nationally saw dramatic decreases in enrollments. The losses of community college enrollments are likely to impact transfer enrollment for some years. The pandemic also showed the potential of online education and has increased the competition to enroll students looking for an online education opportunity.

In response to these challenges, OSU adjusted admissions deadlines, revised institutional financial aid practices, significantly increased institutional financial aid, and rejoined—on a controlled basis—the Western Undergraduate Exchange. OSU also adopted test-optional admissions. These factors helped yield an increase in the first-year class in Corvallis in fall 2021 for the first time in several years and the admissions and deposit data suggest growth in the first-year class again this coming fall. Ecampus continues to build out new programs, revise existing ones, and do careful market research on where student demand that fits OSU's expertise exists. The university will have to be much more aware of market forces on enrollment than in the past and build a strategy incorporating messaging, market identification, and pricing (both list and net) to continue to build on OSU's enrollment successes.

Finally, the federal funding and legal environment is critical to research funding, financial aid funding, and the costs of compliance with expanding Federal mandates. For E&G operations, federal funding most directly impacts the Facilities and Administrative (F&A) costs paid by grant funds and the formula funds that support the three Statewide Public Services. Each has some jeopardy because of the increased federal spending in support of managing the pandemic and addressing the conflict in Ukraine. Those budget commitments could impact future allocations in the next years as concerns about deficits and tax revenues mount, there are competing priorities, or there is a change in political leadership in Washington.

OSU-Cascades Issues

OSU-Cascades is working to build out the academic program portfolio, which requires making investments in faculty and programs before enrollment in those programs are realized. The addition of important new programs is challenged by financial constraints as well as obtaining required approvals and collaboration from external partners. OSU-Cascades has had to adapt the program and enrollment plan to those changing circumstances. The campus also faces the same challenging enrollment environment as Corvallis and is also recruiting more non-traditional students as a portion of enrollment than Corvallis. The needs and expectations of those students are not necessarily the same as traditional first-time, full-time first-year students. Because so many students at OSU-Cascades are first-generation college students the uncertainty in their enrollment is greater as the nation moves out of the pandemic. OSU-Cascades is more dependent on state funding than Corvallis (38% vs. 24%) so volatility in that funding has a greater impact.

Despite these challenges, there has been steady progress in enrollment growth over the last few years. While first-year student deposits are down some from fall 2021, they are up over 30% since fall 2020. The larger incoming classes this year and next year are positive signs for meeting the long-term growth goals in Bend.

Statewide Public Services Issues

The Statewide Public Services (excluding Outdoor School, which is largely pass-through funding) project a small increase in revenues over FY22 actuals. This is because there were some one-time sales revenues and one-time state funding that elevated FY22 revenues. State funding comprises about 70% of the budget, so the impact of state funding changes is much larger for SWPS than it is for Corvallis E&G operations. Many of the faculty and staff in the SWPS units are on joint appointments that use SWPS funds, Corvallis E&G funds and, in some cases, grant funds. The SWPS units have very engaged stakeholders in every aspect of their programs and the outlook for funding these units is positive.

A particular challenge for the Agricultural Experiment Station, Forest Research Laboratory, and the Extension Service is that the state budget for the 2021-23 biennium did not fully fund the continuing service level (CSL) cost increases. An effort to make up that shortfall in the short legislative session in February 2022 was not successful. Much of the new funding that was provided for the Statewides was for new initiatives or one-time projects. This shortfall in CSL means that some positions that have become vacant cannot be filled. Many of these have been long-standing parts of programs and services to stakeholders and their absence creates significant challenges for what units can deliver for communities and impacts the academic productivity of research units. The loss of positions due to this inflation-driven shortfall is not always clear to stakeholders and creates difficult issues for statewide leadership to manage in communicating with partners and legislators.

Corvallis Issues

There are two main issues in Corvallis E&G operations that should be watched. The first is that as the mix of students changes, net tuition per student is declining. Domestic non-resident students (many with tuition discounts through the Western Undergraduate Exchange) have replaced losses of international students (who were largely paying full tuition) and Ecampus enrollments (where students are more typically part-time) are a larger part of OSU's enrollment. These changes yield lower net tuition revenues per student headcount. Strong enrollment growth (first-year student deposits for Corvallis are up 13% and for Ecampus are up over 35%) means that overall revenue is increasing and OSU is in a good position for future growth. The change does mean that headcount enrollment growth has a different financial impact than in the past and that short- and long-term financial planning need to take that into account.

The second issue is the rate at which units will need to resume more normal spending. While OSU cannot resume spending at pre-pandemic rates (adjusted for inflation) there is room for some staffing growth to meet the needs of resuming more typical operations. It will be important to manage unit expectations going forward and to plan carefully for staffing changes.

SELF-SUPPORT FUNDS

Self-Support Funds (Table 2) include the operations of the Auxiliaries (Athletics, University Housing & Dining Services, Student Centers, Student Health Services, Parking Services and other smaller units); Service Centers (Telecommunications, Network Services, Motor Pool, Printing and Mailing, and others); Designated Operations; and expenditures from Royalty Funds.

Self-Support Funds, in aggregate, are projecting an increase of $10.3M over FY2022 (4%), which exceeds FY2019 (the last full year of normal operations) revenues by $5.8M. Operations will be moving closer to typical but will not be back to projected pre-pandemic revenues for some time.

Strategic Intent

Self-support operations provide a variety of essential services to students, university faculty and staff, and stakeholders and alumni in the community. While in the long-run, self-support operations need to have revenue sufficient to maintain balanced operating budgets, there are circumstances when there are strategic reasons for a self-support operation to operate at a loss for a period of time.

The pandemic restrictions produced particularly large revenue losses in UHDS and Athletics, though the impact was felt across all self-support operations. The three federal stimulus allocations (HEERF funds) helped significantly in addressing some of those losses. The lagging effects of the pandemic assumed for FY23 will yield an additional $14.9M loss, principally because of the lack of reserves to cover adjustments to unrestricted net assets and projected negative margins in Athletics, health services, and parking. Ending unrestricted net assets are projected to be a negative ($10.3M) or -4.1% of revenues.

Revenues

Fee-based revenues are expected to be up slightly over FY22, but sales and service income is expected to increase by nearly 9% over the current year projections and reach pre-pandemic levels of activity on the Corvallis and Bend campuses (Table 2). Overall revenues will exceed those of FY19.

Expenditures

Personnel Services are projected to grow by about 9% from improved staffing and salary increases, while Supplies & Services costs are projected to decrease modestly (2%) as units adjust spending to more normal operations and demand levels.

Net Transfers Out are about $2.4M and deductions from unrestricted net assets are ($15.9M), largely to adjustments for debt principal payments.

Uncertainties, Issues, and Opportunities

The self-support operations include a variety of operations and many are still impacted by the pandemic effects over the last two years. UHDS is expected to be at full occupancy, but staffing challenges continue in several of the dining halls. This is coupled with the unplanned pandemic debt service obligations and capital expense transfers for anticipated deferred maintenance, which remain areas of particular budget challenges for FY23. Parking has delayed some resurfacing projects and has a substantial investment projected for next year. Student Health Services (SHS) had significant outside revenues the last two years, along with significantly higher costs to manage through the pandemic. As the revenue streams end but some of the service demands continue, SHS is projecting a $3M operating loss (to be covered by fund balance). Athletics is projecting a $4.4M operating loss, somewhat more than originally anticipated because of costs associated with the Alston ruling on education-related benefits and cash awards for student athletes, decreased ticket revenues, and increased tuition costs. The projections in these units are the principal drivers of the $14.9M loss. These units illustrate that there will be lingering impacts of the pandemic in addition to other pressures on budgets. It will take some years for these units to build back operating reserves to the levels that were typical of pre-pandemic years. For some units, it is also not clear if demand levels for all services will return to pre-pandemic levels as students, faculty, and staff adjust to post-pandemic operations.

RESTRICTED FUNDS

Restricted Funds (Table 3) include grants and contracts for research awarded by the federal government, states, and other agencies; federal financial aid dollars; gifts from the OSU Foundation (including scholarships); and support from other entities such as Oregon counties. Restricted funds are awarded for very specific purposes and are spent directly for those purposes. Revenue and expense generally match closely in any given year.

Strategic Intent

Restricted funds do not provide discretionary revenues to the university, but they are an essential part of supporting OSU's missions of scholarship and student success and do require some investments on the Education and General side to ensure continued success.

Successful competition for federal research awards requires suitable facilities and instrumentation. The E&G investments in a capital renewal fund will directly impact the quality of research (and other) facilities and support the long-term success in research funding. OSU's faculty members at all locations continue to be extremely successful in securing competitive grant and contract funding.

Likewise, successful development of scholarship and gift funds requires an investment in OSU's fundraising and alumni network infrastructure. The university has committed to continued E&G support for the OSU Foundation and the Alumni Association.

Revenues

Growth of 2.0% is projected in restricted fund revenues, driven largely by increased federal grant and contract awards made in the current and previous years (including funding for the PacWave project), which will be spent during FY23.

Expenditures

Total expenditures will be down slightly, with personnel services and services spending increasing 3%, but supplies and services declining 3.6%. Transfers out from restricted funds are principally to plant funds for renovation and construction, in particular in support of PacWave facilities.

Uncertainties, Issues, and Opportunities

There are several uncertainties in projections for restricted funds. The timing of expenditures is uncertain this year because of delays in substantial spending for the Regional Class Research Vessel work. It is not completely known how rapidly those expenditures will resume. The evolution of federal priorities for research and the level of funding for those priorities, particularly in the wake of the large expenditures in support of economic recovery and other circumstances of the current administration, is not clear. Another area of uncertainty is what the economic recovery looks like in terms of inflation, market growth, and tax environment and how those things impact decisions about private philanthropy.

RECOMMENDATION

Staff recommend that the Finance & Administration Committee recommend to the Board that it approve the proposed operating budget for fiscal year FY2023 as presented in Tables 1 through 5.

Figure 1: Summary of revenues and expenditures plus net transfers and adjustments for the three major operating funds. Actuals for two previous years, the Quarter 3 projection for the current year, and the proposed budget for FY2023 are shown. Expense includes net transfers out. In the proposed budget, E&G expenditures are slightly more than revenues, as some fund balance is spent down. Self-support funds are projected to operate at about a $10M deficit from hiring challenges and unplanned debt service payments from the pandemic in UHDS, and capital renewal spending from reserves in health services and parking. Restricted funds project a modest fund balance because of assumptions about the spending rates for large projects like PacWave and the Regional Class Research Vessel construction.

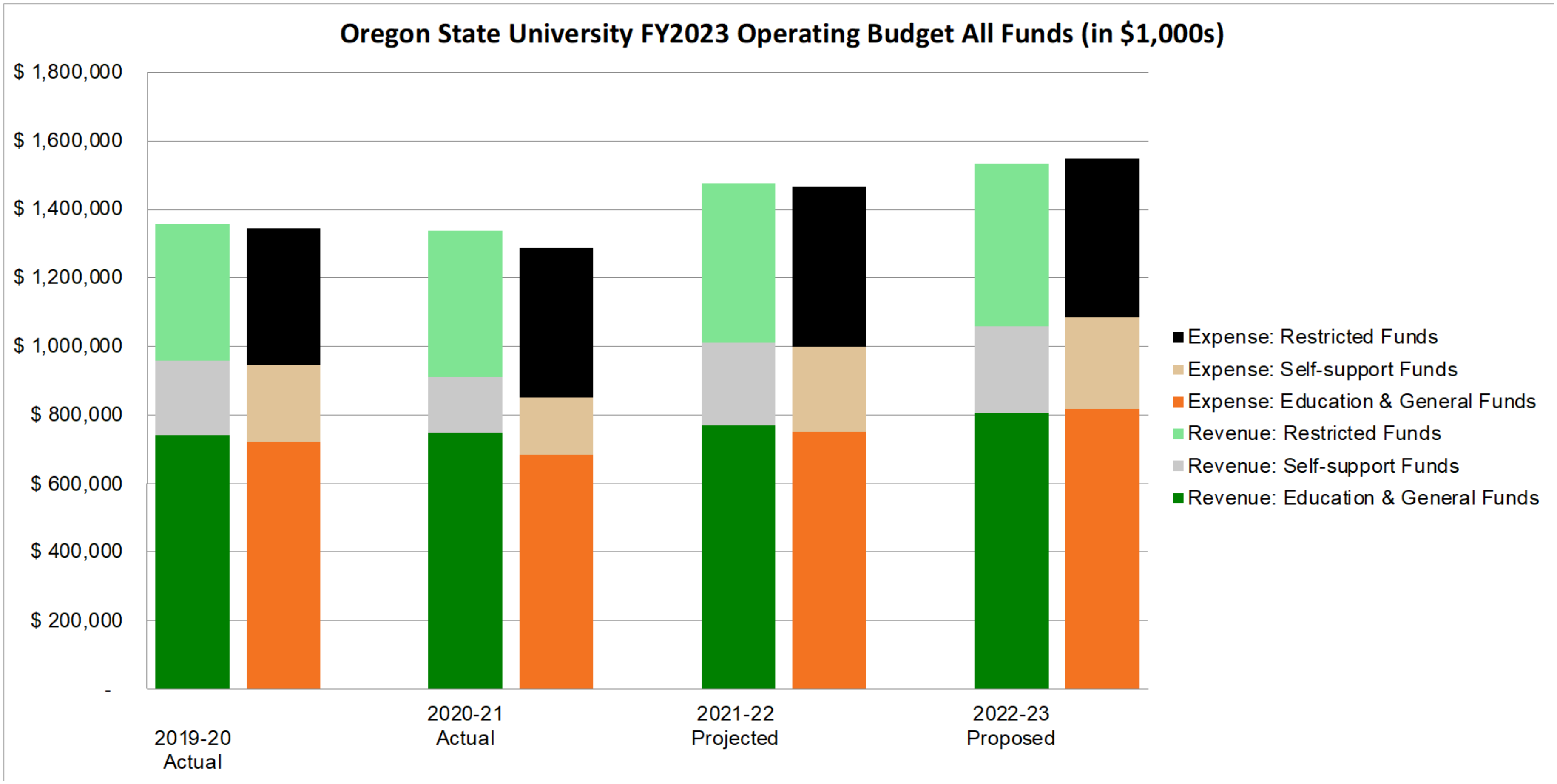

Figure 2: Revenue budget history, projections for FY22, and proposed budget for FY23 (bar graphs) with lines showing the estimated pre-pandemic level of revenues for each fund. In FY23, E&G revenues are projected at about 95% of projected pre-pandemic levels, restricted funds at 105%, and self-support funds at only about 88% due to slower recoveries in many of the medium and small self-support units, and reduced revenues in Athletics during stadium construction.

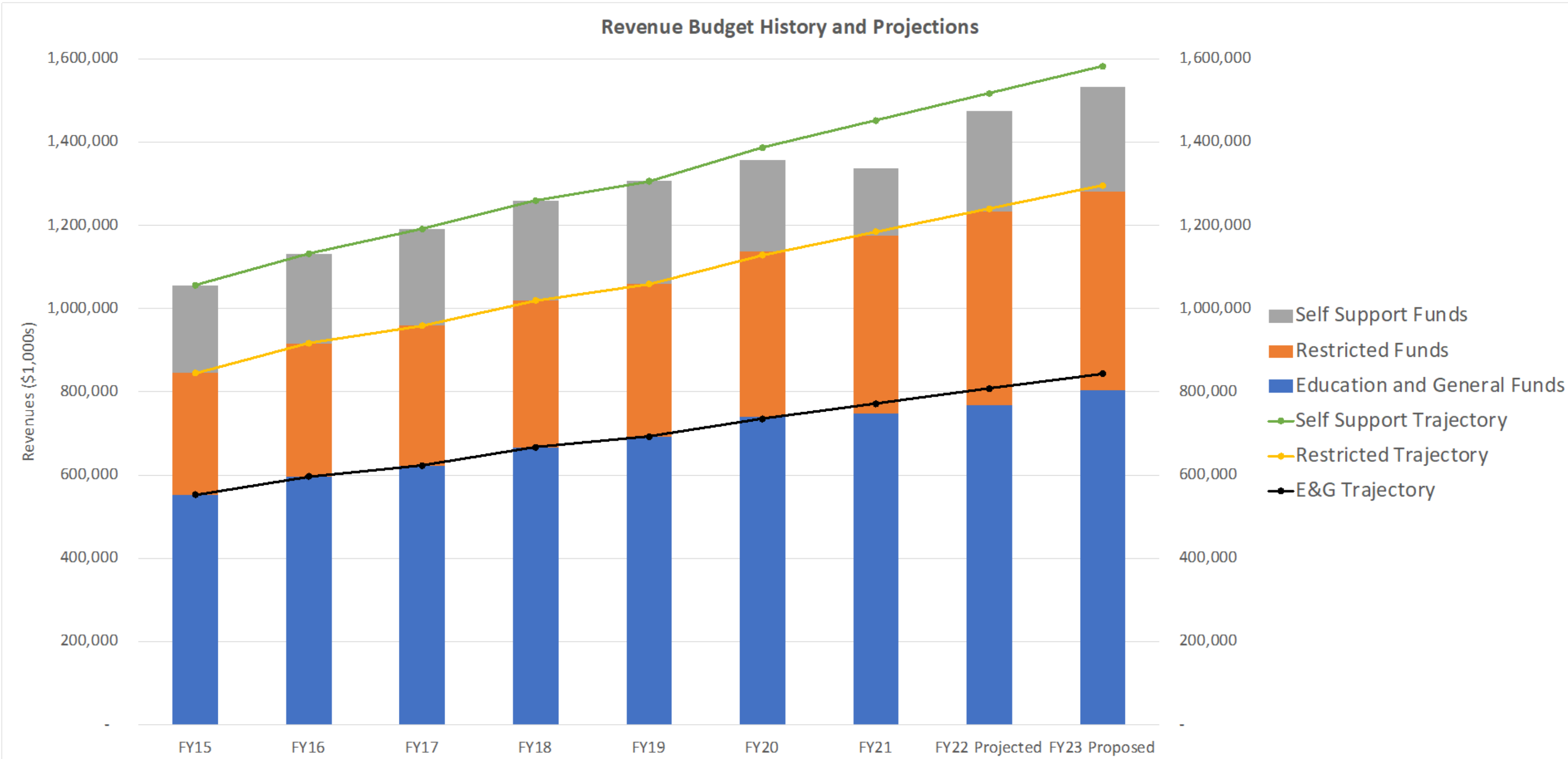

Table 1: Education and General Funds Revenues and Expenditures projected for 2022-23.

EDUCATION & GENERAL (Corvallis, Cascades, Statewide Public Services)

(in thousands except enrollment)	2020 Actual	2021 Actual	2022 Q3 Projection	2023 Budget	2020-21 % Chg.	2021-22 % Chg.	2022-23 % Chg.
State General Fund	$237,104	$247,675	$260,037	$266,518	4%	5%	2.5%
Tuition & Resource Fees, net of Remissions	395,126	389,707	400,837	425,033	-1%	3%	6.0%
Other	106,842	110,494	106,686	112,745	3%	-3%	5.7%
Total Revenues	**739,072**	**747,876**	**767,560**	**804,296**	**1%**	**3%**	**4.8%**
Personnel Services	(551,933)	(552,317)	(577,578)	(609,082)	0%	5%	5.5%
Supplies & Services & Capital Outlay	(153,182)	(140,734)	(177,379)	(195,426)	-8%	26%	10.2%
Total Expenditures	**(705,115)**	**(693,051)**	**(754,957)**	**(804,508)**	**-2%**	**9%**	**6.6%**
Net from Operations	33,957	54,825	12,603	(212)			
Transfers In	14,901	27,270	31,977	5,663	83%	17%	-82.3%
Transfers Out	(29,681)	(16,484)	(27,614)	(18,212)	-44%	68%	-34.0%
Fund Additions/(Deductions)	0	0	0	0			
Change in Fund Balance	19,177	65,611	16,966	(12,761)			
Beginning Unrestricted Net Assets	**89,395**	**108,572**	**174,183**	**191,149**			
Ending Unrestricted Net Assets	**$108,572**	**$174,183**	**$191,149**	**$178,388**	**60%**	**10%**	**-6.7%**
% Operating Revenues	14.7%	23.3%	24.9%	22.2%			

Table 2: Self-support Funds Revenues and Expenditures projected for 2022-23.

SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments

(in thousands)	2020 Actual	2021 Actual	2022 Q3 Projection	2023 Budget	2020-21 % Chg.	2021-22 % Chg.	2022-23 % Chg.
Enrollment Fees	$39,608	$41,503	*$43,391*	*$46,681*	5%	5%	8%
Sales & Services	138,692	84,982	*158,646*	*172,544*	-39%	87%	9%
Other	41,320	34,548	*40,400*	*33,521*	-16%	17%	-17%
Total Revenues	219,620	161,033	*242,437*	*252,746*	-27%	51%	4%
Personnel Services	(116,015)	(103,660)	*(118,544)*	*(129,501)*	-11%	14%	9%
Supplies & Services & Capital Outlay	(115,506)	(91,074)	*(122,196)*	*(119,801)*	-21%	34%	-2%
Total Expenditures	(231,521)	(194,734)	*(240,740)*	*(249,302)*	-16%	24%	4%
Net from Operations	(11,901)	(33,701)	*1,697*	*3,444*			
Transfers In	23,936	39,507	*18,788*	*9,649*	65%	-52%	-49%
Transfers Out	(10,593)	(5,529)	*(15,798)*	*(12,040)*	-48%	186%	-24%
Additions/(Deductions) to Unrestricted Net Assets	(6,153)	(8,209)	*(11,864)*	*(15,904)*			
Change in Unrestricted Net Assets	(4,711)	(7,932)	*(7,177)*	*(14,851)*			
Beginning Unrestricted Net Assets	24,368	19,657	*11,725*	*4,548*			
Ending Unrestricted Net Assets	$19,657	$11,725	*$4,548*	*($10,303)*	-40%	-61%	-327%
% Operating Revenues	9.0%	7.3%	1.9%	-4.1%			

Table 3: Restricted Funds Revenues and Expenditures projected for 2022-23.

RESTRICTED FUNDS

(in thousands)	2020 Actual	2021 Actual	2022 Q3 Projection	2023 Budget	2020-21 % Chg.	2021-22 % Chg.	2022-23 % Chg.
Federal	$283,696	$313,306	*$341,000*	*$350,000*	10%	9%	2.6%
State	19,892	23,890	*30,000*	*30,000*	20%	26%	0.0%
Other	95,292	90,173	*95,500*	*96,000*	-5%	6%	0.5%
Total Revenues	**398,880**	**427,369**	***466,500***	***476,000***	**7%**	**9%**	**2.0%**
Personnel Services	(139,361)	(145,842)	*(154,000)*	*(158,620)*	5%	6%	3.0%
Supplies & Services & Capital Outlay Capital Outlay	(251,747)	(260,602)	*(280,000)*	*(270,000)*	4%	7%	-3.6%
Total Expenditures	**(391,108)**	**(406,444)**	***(434,000)***	***(428,620)***	**4%**	**7%**	**-1%**
Net from Operations	7,772	20,925	*32,500*	*47,380*			
Transfers In	55	3	*70*	*20*	-95%		-71%
Transfers Out	(8,396)	(28,287)	*(32,105)*	*(35,145)*	237%	13%	9%
Additions/(Deductions) to Restricted Net Assets	(81)	0	*0*	*0*			
Change in Restricted Net Assets	(650)	(7,359)	*465*	*12,255*			
Beginning Restricted Net Assets	**13,733**	**13,083**	***5,724***	***6,189***			
Ending Restricted Net Assets	**$13,083**	**$5,724**	**$6,189**	**$18,444**	**-56%**	**8%**	**198%**
% Operating Revenues	3.3%	1.3%	1.3%	3.9%			

Table 4: Summary of budgeted inter-fund transfers for FY2022-2023.

OREGON STATE UNIVERSITY - Budgeted Transfers
Fiscal Year 2023

Education & General

Transfers In		Transfers Out	
From Self Support		To Self Support	
Royalties (Trademark fund)	2,405,110	Athletics	8,500,000
Auxiliaries	217,200	Service Centers support	628,210
Service Centers	-	Designated Operations support	438,970
Designated Operations	17,128	Various Auxiliaries	45,434
From Grants (Jefferson Bldg)	145,000	To Grants (Restricted)	20,000
Termination of Plant Funds	2,715,562	To Plant	8,000,000
From Plant Funds - Cascades	163,177	SWPS - AES to Plant	543,410
From Plant Funds - SWPS AES	-	SWPS - AES to Service Center	35,950
Total Transfers In	5,663,177	Total Transfers Out	18,211,974

Self Support

Transfers In		Transfers Out	
From Education & General - Athletics	8,500,000	To Education & General from Royalties (Trademark)	2,405,110
From Education & General - Service Centers	664,160	To Education & General from Auxiliaries	217,200
From Education & General - Designated Operations	438,970	To Education & General from Service Centers	-
From Education & General - various Auxiliaries	45,434	To Education & General from Designated Operations	17,128
From SWPS - AES - Des Ops	-	To Plant	9,400,512
From Plant to Des Ops	-	Total Transfers Out	12,039,950
Total Transfers In	9,648,564		

Restricted Funds

Transfers In		Transfers Out	
From Education & General	20,000	To Education & General - grant for Jefferson Building	145,000
Total Transfers In	20,000	To Plant - PacWave	35,000,000
		Total Transfers Out	35,145,000

Table 5: Detail for Education and General Fund Operations Projected for 2022-23.

FY23 Budget Request to Board

E&G Projections	**E&G-Corvallis**	**E&G-Cascades**	**AES**	**EXT**	**FRL**	**OS**	**Adj**	**Total**
State Appropriation	$ 155,409,000	$ 8,832,485	$ 41,146,373	$ 30,251,640	$ 6,168,695	$ 24,709,364		$ 266,517,557
Net Tuition & Resource Fees	410,754,000	14,279,391	-	-	-			425,033,391
Other Revenue	80,464,000	118,388	7,199,811	20,600,000	4,363,114			112,745,313
	646,627,000	**23,230,264**	**48,346,184**	**50,851,640**	**10,531,809**	**24,709,364**		**804,296,261**
Personal Services	501,843,345	20,013,064	36,550,041	42,185,925	7,164,000	1,325,843		609,082,218
Supplies & Services	152,551,411	4,400,000	12,000,000	8,250,950	1,679,000	32,250,000		211,131,361
Capital Outlay	6,812,670	2,164	1,500,000	-	18,000			8,332,834
Student Aid	2,337,052	140,000	-	-	-			2,477,052
Internal Sales	(25,295,155)	(30,000)	(930,000)	(200,000)	(60,000)			(26,515,155)
	638,249,323	**24,525,228**	**49,120,041**	**50,236,875**	**8,801,000**	**33,575,843**		**804,508,310**
Net Operating Gain (Loss)	**8,377,677**	**(1,294,964)**	**(773,857)**	**614,765**	**1,730,809**	**(8,866,479)**		**(212,049)**
Transfers In	5,500,000	163,177	-	-	-	-		5,663,177
Transfers Out	(17,632,614)		(579,360)	-	-	-		(18,211,974)
Change in Fund Balance	**(3,754,937)**	**(1,131,787)**	**(1,353,217)**	**614,765**	**1,730,809**	**(8,866,479)**		**(12,760,846)**
Beg Est Fund Balance-FY22 3rd Qtr Est	133,716,461	1,028,319	12,702,854	6,657,741	6,848,862	30,194,377		191,148,614
FY23 Estimated Ending Fund Balance	**$ 129,961,524**	**$ (103,468)**	**$ 11,349,637**	**$ 7,272,506**	**$ 8,579,671**	**$ 21,327,898**		**$ 178,387,768**
	20.1%	*-0.4%*	*23.5%*	*14.3%*	*81.5%*	*86.3%*		*22.2%*

Budget Explanatory Notes

Oregon State University, like most colleges and universities, uses fund accounting. Fund accounting recognizes the diversity of sources and purposes of revenues and emphasizes accountability for the proper use of those revenues. Each fund type is self-balancing and has its own revenues, expenditures, assets, liabilities, and fund balance.

Fund Types

<u>Education and General (E&G) Funds</u>: These are unrestricted current funds expendable for any purpose in performing the primary objectives of the institution (instruction, research, and public service).

E&G Funds come principally from state appropriations and tuition and fees paid by students. They also include indirect costs paid by external grants and contracts (termed Facilities and Administrative or F&A costs) to defray the added costs of providing support for funded research projects and miscellaneous sources of income such as interest and sales and services fees within academic units. The E&G funds provide the primary support for the instructional, academic support, institutional management, outreach and engagement, and some research activities of the university

<u>Self-Support Funds</u>: Self-Support Funds are for units that are expected to generate revenues sufficient to cover most of their expenses. OSU defines three kinds of self-support operations.

- **Auxiliary Enterprises:** Self-sustaining units which provides goods or services primarily to students, faculty, and staff as individuals. They charge a fee directly related to, although not necessarily equal to, the cost of the goods or services. The general public may be served incidentally by auxiliary enterprises. Examples of Auxiliary Enterprises at OSU include University Housing & Dining Services, Athletics, Student Health Services and Parking Services.
- **Service Centers**: Self-sustained activities which provide goods or services to the academic university community. No more than 20% of revenue may be from external sales. Examples of Service Centers at OSU include Telecom, Printing & Mailing, Motor Pool and Surplus Property.
- **Designated Operations**: Self-sustaining activities related to instruction and public service where 80% or greater of the revenue is derived from external sources. Examples include non-credit instruction portion of field trips and international education, community education (non-credit conferences, workshops, seminars), the OSU Press, and public service (testing services) like the Seed Certification Lab.

Revenues from royalty payments are also managed with the self-support funds.

<u>Restricted Funds</u>: Restricted Funds are provided to the university for specific purposes and projects. The most common types are grants or contracts from federal, state, and private foundations for research and scholarships, federal financial aid awards, and gift funds distributed from the OSU Foundation and other endowments for scholarships, endowed professorships, research projects, and other specifically designated activities.

Revenue and Expense Categories

The summary budget reports in Tables 1 through 3 include the following components:

Revenue:
- State General Fund: Appropriations authorized by the State of Oregon. These include funds for general operations of the university as well as funds designated for specific university functions such as the Statewide Public Services and the Oregon Climate Change Research Institute
- Tuition and Resource Fees, net of Remissions: These are tuition and fee charges to students, less waivers of tuition made as financial aid. Tuition waivers are the principal form of institutional financial aid provided to undergraduates
- Other: These include the F&A costs paid by grants, sales and service income generated within departments and colleges outside designated operations, and interest income from various university accounts
- Enrollment Fees: Some student fees are directed to self-support operations such as the Memorial Union and Student Health Services
- Sales & Service: Many of the self-support operations sell goods and services to the university community and the general public. Examples include ticket sales in Athletics, dining hall revenues, and housing contract charges
- Other: The self-support operations have other sources of revenues including charges to other university units, interest revenue, and lottery proceeds
- Federal Restricted Funds: Awards from Federal agencies for research and scholarship projects
- State Restricted Funds: Awards from State agencies for research and scholarship projects
- Other Restricted Funds: Research grants or contracts from other government entities, private foundations, and other universities

Expenditures:
- Personnel Services: These include salaries for classified (represented) staff, unclassified staff, students, and graduate assistants and benefits including retirement, health insurance, taxes, and graduate tuition remissions
- Supplies & Services & Capital Outlay: Office expenses, utilities, telecommunications, assessments, debt payments, non-capital equipment, contract services, capitalized equipment

Other Adjustments:
- Transfers in: Transfer from other funds in support of operations
- Transfers out: Transfers to plant funds or other funds in support of operations
- Other Additions/Deductions: Primarily the use of working capital to purchase capital assets or pay long-term debt.