

## FY2023 Q3 OSU Operating Management Report

### BACKGROUND

Oregon State University's fiscal year (FY) 2023 third quarter (Q3, July 1–March 31, 2023) Operating Management Report presents the first nine months of operating results for the three operating fund groups: Education and General, Self-Support, and Restricted funds. Detailed reports can be found in Attachment 1.

The quarterly management report is a summary-level report that compares:

- Year-to-date actual activity relative to the projected total for the year to the same relationship in prior years or to expected current year totals; and
- The current quarter projection for year end to the budget presented in the May 2022 board meeting.

The percentage of year-to-date actual revenue and expenditures as compared to the total projected annual amounts is calculated to help ensure that the Board and management have an early warning regarding unanticipated operating trends in the major categories. This percentage is called the *realization rate* for revenues and the *burn rate* for expenditures. The current year realization/burn rate is compared to the seven-year average of prior years' actual rates. The seven-year average is used to smooth out one-time operating changes. This method has proven to be very successful in identifying when the current year actual results are not tracking as expected, allowing management to make any necessary changes to address unanticipated results.

The low standard deviation of the actual year-to-date results for each quarter over the past seven years provides support for the predictive value of the data. The standard deviation, coupled with the materiality of the amounts, provides the basis for OSU's established tolerance ranges, within which the actual results should track. If the actual year-to-date amounts fall outside the established tolerances, the data is flagged for further analysis.

This approach is applied with the following tolerances of plus or minus:

Tuition & Resource Fees, net of waivers	2%
Enrollment Fees	2%
Sales & Services	5%
Other revenue	7%
Federal restricted	5%
State restricted	7%
Other restricted	6%
Personnel Services	2%
Supplies & Services & Capital Outlay	5%

To provide similar precision to the State General Fund category in the report for which actual results do not track similarly from year to year, the anticipated current year results provide similar predictive value to the report. We have established a tolerance range based upon materiality. This approach is applied with the following tolerances of plus or minus:

State General Fund	2%
--------------------	----

Additionally, accountability for material changes made to the year-end projection as compared to the previous quarterly report is provided by highlighting those fluctuations greater than 1% of total operating revenues for further analysis and reporting to the committee. Transfer variances are tracked quarterly and are generally explained at Q4 because of the frequency of schedule changes for major transfers. Material variances in transfers that are decision-related are explained within each quarterly report.

The breakdown and discussion of the variances in the FY2023 Q3 report for each major operating fund type are as follows:

### **EDUCATION AND GENERAL**

Education and General Fund (E&G) revenues are projected to total \$827.9M, expenditures are expected to total \$800.8M, and transfers in and transfers out are projected to be \$4.2M and \$16.2M, respectively. The transfers schedule in Attachment 1 provides details about how this impacts the change to unrestricted net assets. Unrestricted net assets are projected to increase by \$15.0M to total \$202.3M at year's end.

For E&G funds, the following item is of note:

#### **Tuition & Resource Fees, net of Waivers**

There was a \$6.0M decrease in projected tuition and fees primarily due to the Ecampus forecast. The fall and winter forecasts overestimated total revenue by about 3%. There was a \$3.1M decrease in projected tuition and fees due to OSU-Cascades anticipating Ecampus revenue settle-up, however, the funds were provided as budgeted.

The ending Unrestricted Net Assets balance is projected to be 24.4% of total operating revenues, which is above the Board's established range of 10% to 20% of total operating revenues. Included is \$33.5M of funding for Outdoor School, which is not available for university expenditure. Without the Outdoor School funds, the balance is projected to be right at 20% of total operating revenues.

### **SELF-SUPPORT**

Self-Support Fund revenues are projected to total \$265.3M, expenditures are expected to total \$250.6M, and transfers in and transfers out are projected to be \$11.2M and \$23.0M, respectively. The transfers schedule in Attachment 1 provides details about how this impacts the change to unrestricted net assets. Deductions from unrestricted net assets, primarily representing debt principal payments and purchases of fixed assets, are expected to total \$16.4M. Unrestricted net assets are projected to decrease by \$13.4M to a total surplus of \$10.4M at year's end. Fund balances in self-support units (in aggregate) were significantly impacted by COVID. Although deficits were reduced through the allocation of HEERF funds, the operating reserves are expected to remain smaller in the near term; continued strong

performance in these units over the year may yield better growth than the conservative projections.

For Self-Support funds, the following items are of note:

### **Sales & Services**

The negative variance of \$9.5M is due primarily to \$5.8M due to Student Health Services moving the Student Health Insurance Plan to an agency fund and \$4.2M in Athletics caused by a reduction in the PAC-12 network distribution as a result of network distribution partners overpaying the PAC-12 in prior years, along with cost increases relating to the PAC-12 office relocation.

### **Other**

The \$4.9M positive variance from the prior quarter's projection is primarily due to the \$1.9M sale of NuScale shares and \$1.8M from the e-MSion co-marketing agreement, in alignment with the OSU Intellectual Property Policy.

### **Personnel Services**

The \$3.1M positive variance from the prior quarter's projection is primarily due to hiring challenges and vacancies of \$2.0M in University Housing and Dining Services (UHDS), \$0.5M in Student Centers, and \$0.3M in Student Health. Team Oregon (motorcycle safety program) received \$0.8M in state grants that were not anticipated. Those grants were administered through related restricted funds where a portion of personnel costs were paid. These decreases were offset by \$1.0M in Athletics due to coaching contract salary increases.

### **Supplies & Services & Capital Outlay**

The \$9.5M positive variance from the prior quarter's projection is primarily due to \$6.0M due to Student Health Services moving the Student Health Insurance Plan to agency funds, \$1.7M in minor equipment purchases for UHDS, \$1.1M in Athletic scholarships, and \$0.8M in utility savings and delay in deferred maintenance projects in the Student Centers.

The ending Unrestricted Net Assets balance is projected to be 3.9% of total operating revenues.

### **RESTRICTED**

The Restricted Fund revenues are projected to total \$463.4M, expenditures are expected to total \$444.0M, and transfers in and transfers out are projected to be \$0.5M and \$23.4M, respectively. Restricted net assets are projected to decrease by about \$3.5M, to total \$6.3M at year's end.

For Restricted funds, the following item is of note:

### **Supplies & Services & Capital Outlay**

The \$10.0M increase is due primarily to \$6.0M in State programs (Oregon Dept. of Education Capacity Building Center, ODE Parent Education Expansion funding for Oregon Parenting Education Collaborative, and Oregon Need Based Aid) and \$4.0M increase in National Science

Foundation Spending (Regional Class Research Vessel, Center for Oldest Ice Exploration, NanoGravity Physics Frontiers Center, and Marine Sediment Sampling Facility).

**RECOMMENDATION**

Staff recommend that the Finance & Administration Committee accept the FY2023 Q3 Operating Management Report, as detailed in Attachment 1.

**Oregon State University**  
**Quarterly Operating Management Report**

(Unaudited, for management purposes only)

**As of March 31, 2023**  
**For the Fiscal Year Ended June 30, 2023**

(in thousands except enrollment)

**EDUCATION & GENERAL**

	YTD Actual				Budget & YE Projection			Notes
	A	B	C		D	E	F	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	6/30/2022 Prior Yr. Actual	Budget	YE Projected 6/30/2023	Chg from prior qtr. projection	
State General Fund	\$224,989	83%	83%	\$260,758	\$266,518	\$270,348	\$64	
Tuition & Resource Fees, net of Waivers	429,459	99%	99%	401,907	425,033	433,826	(9,087)	(1)
Other	84,026	68%	62%	111,243	112,745	123,720	5,427	
<b>Total Revenues</b>	738,474			747,876	804,296	827,894	(3,596)	
Personnel Services	(450,933)	74%	73%	(585,801)	(609,082)	(609,440)	(658)	
Supplies & Services & Capital Outlay	(127,698)	67%	67%	(178,290)	(195,426)	(191,403)	7,833	
<b>Total Expenditures</b>	(578,631)			(764,091)	(804,508)	(800,843)	7,175	
<b>Net from Operations</b>	159,844			9,817	(212)	27,051	3,579	
Transfers In	4,226			32,598	5,663	4,181	238	
Transfers Out	(13,939)			(29,287)	(18,212)	(16,250)	(2,561)	
Fund Additions/(Deductions)	0			0	0	0	0	
<b>Change in Unrestricted Net Assets</b>	150,131			13,128	(12,761)	14,982	1,256	
<b>Beginning Unrestricted Net Assets</b>	187,311			174,183	187,311	187,311	0	
<b>Ending Unrestricted Net Assets</b>	\$337,442			\$187,311	\$174,550	\$202,293	\$1,256	
% Operating Revenues				24.2%	21.7%	24.4%		
Student FTE Enrollment-YTD Summer, Fall and Winter	20,824	72%	71%	28,693	29,123		0	

(1) There was a \$6.0M decrease in projected tuition and fees primarily due to the Ecampus forecast. The fall and winter forecasts overestimated total revenue by about 3%. There was a \$3.1M decrease in projected tuition and fees due to OSU-Cascades anticipating Ecampus revenue settle-up, however, the funds were provided as budgeted.

*June 1-2, 2023 Board of Trustees Meetings*

**Oregon State University**  
**Quarterly Operating Management Report**

(Unaudited, for management purposes only)

**As of March 31, 2023**  
**For the Fiscal Year Ended June 30, 2023**

	YTD Actual				Budget & YE Projection			
	A	B	C	6/30/2022	D	E	F	Notes
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	Prior Yr. Actual	Budget	YE Projected 6/30/2023	Chg from prior qtr. projection	
(in thousands)								
SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments								
Enrollment Fees	\$46,172	98%	97%	\$43,238	\$46,681	\$46,964	\$128	
Sales & Services	110,166	65%	63%	164,712	172,544	170,390	(9,504)	(2)
Other	35,148	73%	68%	42,379	33,521	47,982	4,915	(3)
Total Revenues	191,486			250,329	252,746	265,336	(4,461)	
Personnel Services	(92,395)	73%	74%	(115,115)	(129,501)	(126,946)	3,146	(4)
Supplies & Services & Capital Outlay	(93,990)	76%	76%	(114,120)	(119,801)	(123,631)	9,571	(5)
Total Expenditures	(186,385)			(229,235)	(249,302)	(250,577)	12,717	
Net from Operations	5,101			21,094	3,444	14,759	8,256	
Transfers In	174			18,966	9,649	11,230	675	
Transfers Out	(4,057)			(11,708)	(12,040)	(23,018)	(853)	
Additions/(Deductions) to Unrestricted Net Assets	4,426			(16,273)	(15,904)	(16,405)	(389)	
Change in Unrestricted Net Assets	5,644			12,079	(14,851)	(13,434)	7,689	
Beginning Unrestricted Net Assets	23,804			11,725	23,804	23,804	0	
Ending Unrestricted Net Assets	\$29,448			\$23,804	\$8,953	\$10,370	\$7,689	
% of Operating Revenues				9.5%	3.5%	3.9%		
Total Unrestricted Net Assets				\$211,115	\$183,503	\$212,663		
Days of Expenditures in Total Unrestricted Funds				78	64	74		

- (2) The negative variance of \$9.5M is due primarily to \$5.8 due to Student Health Services moving the Student Health Insurance Plan to an agency fund and \$4.2M in Athletics caused by a reduction in the PAC-12 network distribution as a result of network distribution partners overpaying the PAC-12 in prior years, along with cost increases relating to the PAC-12 office relocation.
- (3) The \$4.9M positive variance from the prior quarter's projection is primarily due to the \$1.9M sale of NuScale shares and \$1.8M from e-Msion co-marketing agreement in alignment with the OSU Intellectual Property Policy .
- (4) The \$3.1M positive variance from the prior quarter's projection is primarily due to hiring challenges and vacancies of \$2.0M in University Housing and Dining Services (UHDS), \$0.5M in Student Centers, and \$0.3M in Student Health. Team Oregon (motorcycle safety program) received \$0.8M in state grants that were not anticipated. Those grants were administered through related restricted funds where a portion of personnel costs were paid. These decreases were offset by \$1.0M in Athletics due to coaching contract salary increases.
- (5) The \$9.5M positive variance from the prior quarter's projection is primarily due to \$6.0M due to Student Health Services moving the Student Health Insurance Plan to agency funds, \$1.7M in minor equipment purchases for UHDS, \$1.1M in Athletic scholarships, and \$0.8M in utility savings and delay in deferred maintenance projects in the Student Centers.

*June 1-2, 2023 Board of Trustees Meetings*

**Oregon State University**  
**Quarterly Operating Management Report**

(Unaudited, for management purposes only)

**As of March 31, 2023**  
**For the Fiscal Year Ended June 30, 2023**

(in thousands)

**RESTRICTED FUNDS**

	YTD Actual			Budget & YE Projection			Notes
	A	B	C	D	E	F	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	6/30/2022 Prior Yr. Actual	Budget	YE Projected 6/30/2023	Chg from prior qtr. projection
Federal	\$247,206	74%	73%	\$336,156	\$350,000	\$332,000	(\$3,000)
State	29,276	81%	76%	25,681	30,000	36,000	4,000
Other	68,579	72%	72%	95,087	96,000	95,402	0
<b>Total Revenues</b>	345,061			456,924	476,000	463,402	1,000
Personnel Services	(120,430)	73%	73%	(152,209)	(158,620)	(164,000)	(1,000)
Supplies & Services & Capital Outlay	(225,381)	80%	76%	(267,778)	(270,000)	(280,000)	(10,000)
<b>Total Expenditures</b>	(345,811)			(419,987)	(428,620)	(444,000)	(11,000)
<b>Net from Operations</b>	(750)			36,937	47,380	19,402	(10,000)
Transfers In	521			21	20	521	451
Transfers Out	(14,439)			(32,893)	(35,145)	(23,430)	(2,744)
Additions/(Deductions) to Restricted Net Assets	(0)			0	0	0	0
<b>Change in Restricted Net Assets</b>	(14,668)			4,065	12,255	(3,507)	(12,293)
<b>Beginning Restricted Net Assets</b>	9,789			5,724	9,789	9,789	0
<b>Ending Restricted Net Assets</b>	(\$4,879)			\$9,789	\$22,044	\$6,282	(\$12,293)

% of Operating Revenues

2.1%

4.6%

1.4%

- (6) The \$10.0M increase is due primarily to \$6.0M in State programs (Oregon Dept. of Education (ODE) Capacity Building Center, ODE Parent Education Expansion funding for Oregon Parenting Education Collaborative, and Oregon Need Based Aid ) and \$4.0M increase in National Science Foundation Spending (Regional Class Research Vessel, Center for Oldest Ice Exploration, NanoGravity Physics Frontiers Center, and Marine Sediment Sampling Facility).

*June 1-2, 2023 Board of Trustees Meetings*

**OREGON STATE UNIVERSITY**  
**Transfers schedule**  
(in \$000's)

**As of March 31, 2023**  
**For the Fiscal Year Ended June 30, 2023**

			Self-Support								
	E&G		Auxiliary		Designated Operations & Service Departments		Plant fund		Restricted	Other	Total
Transfers In - E&G	275				\$2,336		1,284		\$286		\$ 4,181
Transfers Out - E&G			8,625		2,133		4,971		521		16,250
Transfers In - Auxiliary	\$8,625						377			95	9,097
Transfers Out - Auxiliary	.		275				19,377				19,652
Transfers In - Designated Operations & Service Departments	2,133										2,133
Transfers Out - Designated Operations & Service Departments			2,336				1,030				3,366
Transfers In - Restricted	521										521
Transfers Out - Restricted	286						23,144				23,430

- (a) \$8.5M support for athletics
- (b) subsidies from E&G for supporting Designated Operations and Service Departments
- (c) transfers to plant fund for remodels and space renovations
- (d) mainly transfer of royalties to E&G

*June 1-2, 2023 Board of Trustees Meetings*