

## FY2024 Q1 OSU Operating Management Report

### BACKGROUND

Oregon State University's fiscal year (FY) 2024 first quarter (Q1, July 1–September 30, 2023) Operating Management Report presents the first three 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 June 2023 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%
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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 FY2024 Q1 report for each major operating fund type are as follows:

### **EDUCATION AND GENERAL**

Education and General Fund (E&G) revenues are projected to total \$908.0M, expenditures are expected to total \$874.6M, and transfers in and transfers out are projected to be \$3.8M and \$26.4M, 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 \$10.7M to total \$197.0M at year's end.

For E&G funds, the following items are of note:

#### **State General Fund**

The \$29.6M positive variance from budget for the first quarter projection is primarily due to an improvement in state funding of \$16.6M for Corvallis and \$13.0M for Statewide Public Services. The state funding increase for Corvallis of \$16.6M includes \$8.0M of state targeted funding that is appropriated to specific E&G units. In addition, for some of the state targeted funds, the state provided the full biennium funding instead of just the first year as has been the historical practice.

#### **Personnel Services**

The negative variance of \$19.8M from budget for the first quarter projection is primarily due increases in funding, which results in more budget allocation to units for spending in FY24.

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

The burn rate of 14% is lower than the 7-year average due to delayed spending until final budgets were provided at the beginning of October.

The negative variance of \$9.5M from budget for the first quarter projection is primarily due to increases in funding, which results in more budget allocation to units for spending in FY24.

The ending Unrestricted Net Assets balance is projected to be 21.7% of total operating revenues, which is above the board's established range of 10% to 20% of total operating revenues.

## **SELF-SUPPORT**

Self-Support Fund revenues are projected to total \$276.5M, expenditures are expected to total \$259.2M, and transfers in and transfers out are projected to be \$9.8M and \$23.7M, 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 \$15.4M. Unrestricted net assets are projected to decrease by \$12.1M to a total surplus of \$11.6M at year's end, a \$2.3M improvement from budget.

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

### **Sales & Services**

The realization rate for sales and services revenue is lower than the seven-year historical average primarily due to a later start date for Fall term impacting Q1 revenue for University Housing and Dining (UHDS). Additionally, Athletics did not receive the usual distribution from the Pac-12 and the recognition of revenue from football ticket sales moved from an annual to a game-by-game basis.

### **Other Revenue**

The realization rate of other revenue is higher than the seven-year historical average primarily due to the gain on the sale of NuScale stock in Q1 and the distribution of the NCAA allocation to Athletics from their holding account at the beginning of the year instead of the end of the year.

The \$3.9M negative variance from budget is primarily due to a \$6.0M change in the billing practice of charging E&G funded units for Telecom and Desktop Services. This is offset by a \$2.9M increase due to the sale of NuScale stock that was not projected.

### **Personnel Services**

The \$3.4M positive variance from the budget for the first quarter projection is primarily due to \$1.5M in Telecom and Desktop Services which moved expenses to E&G as a result of the change in the billing practice as referenced above. Additionally, OSU-Cascades delayed the hiring of teachers associated with the expanded childcare operations for savings of \$1.1M. Student Centers and Student Health Services realized cost savings of \$0.7M due to positions starting later than expected.

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

The \$3.5M positive variance from the budget for the first quarter projection is primarily due to \$5.3M in Telecom and Desktop Services which moved expenses to E&G as a result of the change in the billing practice as referenced above. This is offset by a \$1.0M increase in interest expense for OSU-Cascades related to debt service, \$0.6M in UHDS and \$0.3M in Student Centers for assessment increases.

The ending Unrestricted Net Assets balance is projected to be 4.2% of total operating revenues.

## **RESTRICTED**

The Restricted Fund revenues are projected to total \$520.0M, expenditures are expected to total \$478.0M, and transfers in and transfers out are projected to be zero and \$43.1M, respectively. Restricted net assets are projected to decrease by about \$1.1M, to total \$7.9M at year's end.

For Restricted funds, the following items are of note:

### **Federal**

The positive variance of \$18.0M from the budget for the first quarter projection is primarily due to increases in grant funding for Regional Class Research Vessel (RCRV), Department of Energy (DOE) Cost Effective Electricity, Center for Oldest Ice Exploration, National Oceanic and Atmospheric Administration (NOAA) Marine Ecosystem, and PELL Awards.

### **State**

The positive variance of \$9.0M from the budget for the first quarter projection is primarily due to increases in need-based aid from the State and increases in Oregon Department of Human Services (ODHS) Supplemental Nutrition Assistance Program Education (SNAP Ed) program funding.

### **Other**

The positive variance of \$7.0M from the budget for the first quarter projection is primarily due to increases in scholarship funding and College of Forestry operating gift funds.

### **Personnel Services**

The negative variance of \$7.0M from the budget for the first quarter projection is primarily due to increases in labor expenses associated with RCRV, NOAA Marine Ecosystem, ODHS SNAP Ed, and Oregon Department of Education Capacity Building Center.

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

The negative variance of \$23.0M from the budget for the first quarter projection is primarily due to increased expenses associated with RCRV, PELL Awards, Oregon Need based aid, and scholarships.

## **RECOMMENDATION**

Staff recommend that the Finance & Administration Committee accept the FY2024 Q1 Operating Management Report.

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

(Unaudited, for management purposes only)

**As of September 30, 2023**  
**For the Fiscal Year Ended June 30, 2024**

(in thousands except enrollment)

**EDUCATION & GENERAL**

	YTD Actual				Budget & YE Projection			Notes
	A	B	C	6/30/2023 Prior Yr. Actual	D	E	F	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %		Budget	Projected YE 6/30/2024	Change from Budget	
State General Fund	\$111,617	37%	35%	\$270,348	\$270,724	\$300,329	<b>\$29,605</b>	(1)
Tuition & Resource Fees, net of Waivers	193,811	40%	40%	432,881	475,011	\$481,309	6,298	
Other	25,756	20%	15%	128,798	125,254	\$126,296	1,042	
<b>Total Revenues</b>	<b>331,184</b>			<b>832,027</b>	<b>870,989</b>	<b>907,934</b>	<b>36,945</b>	
Personnel Services	(129,223)	20%	19%	(613,600)	(642,500)	(662,255)	<b>(19,755)</b>	(2)
Supplies & Services & Capital Outlay	(29,239)	<b>14%</b>	20%	(201,873)	(202,831)	(212,376)	<b>(9,545)</b>	(3)
<b>Total Expenditures</b>	<b>(158,462)</b>			<b>(815,473)</b>	<b>(845,331)</b>	<b>(874,631)</b>	<b>(29,300)</b>	
<b>Net from Operations</b>	<b>172,722</b>			<b>16,554</b>	<b>25,658</b>	<b>33,303</b>	<b>7,645</b>	
Transfers In	4,172			4,784	3,760	3,760	0	
Transfers Out	(3,092)			(22,281)	(26,383)	(26,411)	(28)	
Fund Additions/(Deductions)	0			0	0	0	0	
<b>Change in Unrestricted Net Assets</b>	<b>173,802</b>			<b>(943)</b>	<b>3,035</b>	<b>10,652</b>	<b>7,617</b>	
<b>Beginning Unrestricted Net Assets</b>	<b>186,368</b>			<b>187,311</b>	<b>186,368</b>	<b>186,368</b>	<b>0</b>	
<b>Ending Unrestricted Net Assets</b>	<b>\$360,170</b>			<b>\$186,368</b>	<b>\$189,403</b>	<b>\$197,020</b>	<b>\$7,617</b>	
% Operating Revenues	108.8%			22.4%	21.7%	21.7%		
Student FTE Enrollment-YTD (Summer and Fall terms only)	12,563	41%	40%	29,824	30,284	30,284	0	

- (1) The \$29.6M positive variance from budget for the first quarter projection is primarily due to an improvement in state funding of \$16.6M for Corvallis and \$13.0M for Statewide Public Services. The state funding increase for Corvallis of \$16.6M includes \$8.0M of state targeted funding that is a direct pass-through to E&G units. In addition, for some of the state targeted funds, the state provided the full biennium funding instead of just the first year as has been the historical practice.
- (2) The negative variance of \$19.8M from budget for the first quarter projection is primarily due to increases in funding, which results in more budget allocation to units for spending in FY24.
- (3) The burn rate of 14% is lower than the 7-year average due to delayed spending until final budgets were provided at the beginning of October. The negative variance of \$9.5M from budget for the first quarter projection is primarily due to increases in funding, which results in more budget allocation to units for spending in FY24.

*January 18-19, 2024 Board of Trustees Meetings*

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

(Unaudited, for management purposes only)

**As of September 30, 2023**  
**For the Fiscal Year Ended June 30, 2024**

(in thousands)

**SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments**

	YTD Actual				Budget & YE Projection			Notes
	A	B	C	6/30/2023 Prior Yr. Actual	D	E	F	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %		Budget	YE Projected 6/30/2024	Change from Budget	
Enrollment Fees	\$17,599	35%	37%	\$47,164	\$50,530	\$50,504	(\$26)	
Sales & Services	16,964	9%	15%	175,466	185,819	\$185,228	(591)	(4)
Other	10,004	25%	16%	51,109	44,697	\$40,790	(3,907)	(5)
<b>Total Revenues</b>	<b>44,567</b>			<b>273,739</b>	<b>281,046</b>	<b>276,522</b>	<b>(4,524)</b>	
Personnel Services	(32,167)	23%	23%	(124,699)	(142,115)	(138,680)	3,435	(6)
Supplies & Services & Capital Outlay	(28,192)	23%	19%	(127,083)	(124,069)	(120,563)	3,506	(7)
<b>Total Expenditures</b>	<b>(60,359)</b>			<b>(251,782)</b>	<b>(266,184)</b>	<b>(259,243)</b>	<b>6,941</b>	
<b>Net from Operations</b>	<b>(15,792)</b>			<b>21,957</b>	<b>14,862</b>	<b>17,279</b>	<b>2,417</b>	
Transfers In	7,854			10,571	9,714	9,759	45	
Transfers Out	(14,238)			(20,485)	(23,765)	(23,709)	56	
Additions/(Deductions) to Unrestricted Net Assets	(412)			(12,191)	(15,169)	(15,407)	(238)	
<b>Change in Unrestricted Net Assets</b>	<b>(22,588)</b>			<b>(148)</b>	<b>(14,358)</b>	<b>(12,078)</b>	<b>2,280</b>	
<b>Beginning Unrestricted Net Assets</b>	<b>23,656</b>			<b>23,804</b>	<b>23,656</b>	<b>23,656</b>	<b>0</b>	
<b>Ending Unrestricted Net Assets</b>	<b>\$1,068</b>			<b>\$23,656</b>	<b>\$9,298</b>	<b>\$11,578</b>	<b>\$2,280</b>	
% of Operating Revenues	2.4%			8.6%	3.3%	4.2%		
<b>Total Unrestricted Net Assets</b>	<b>\$361,238</b>			<b>\$210,024</b>	<b>\$198,701</b>	<b>\$208,598</b>		
<b>Days of Expenditures in Total Unrestricted Funds</b>				<b>72</b>	<b>65</b>	<b>67</b>		

- (4) The realization rate for sales and services revenue is lower than the seven-year historical average primarily due to a later start date for Fall term impacting Q1 revenue for University Housing and Dining (UHDS). Additionally, Athletics did not receive the usual distribution from the Pac-12 and the recognition of revenue from football ticket sales moved from an annual to a game-by-game basis.
- (5) The realization rate of other revenue is higher than the seven-year historical average primarily due to the gain on the sale of NuScale stock in Q1 and the distribution of the NCAA allocation to Athletics from their holding account at the beginning of the year instead of the end of the year. The \$3.9M negative variance from budget is primarily due to a \$6.0M change in the billing practice of charging E&G funded units for Telecom and Desktop Services. This is offset by a \$2.9M increase due to the sale of NuScale stock that was not projected.
- (6) The \$3.4M positive variance from the budget for the first quarter projection is primarily due to \$1.5M in Telecom and Desktop Services change in the billing practice as referenced above. Additionally, Cascades delayed the hiring of teachers associated with the expanded childcare operations for savings of \$1.1M. Student Centers and Student Health Services realized cost savings of \$0.7M due to positions starting later than expected.
- (7) The \$3.5M positive variance from the budget for the first quarter projection is primarily due to \$5.3M in Telecom and Desktop Services change in the billing practice as referenced above. This is offset by a \$1.0M increase in interest expense for Cascades related to debt service, \$0.6M in UHDS and \$0.3M in Student Centers for assessment increases.

January 18-19, 2024 Board of Trustees Meetings

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

(Unaudited, for management purposes only)

**As of September 30, 2023**  
**For the Fiscal Year Ended June 30, 2024**

(in thousands)

**RESTRICTED FUNDS**

	YTD Actual				Budget & YE Projection			Notes
	A	B	C	6/30/2023 Prior Yr. Actual	D	E	F	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %		Budget	Projected 6/30/2024	Change from Budget	
Federal	\$97,273	26%	26%	\$348,530	\$352,000	\$370,000	\$18,000	(8)
State	12,693	28%	28%	42,256	36,000	45,000	9,000	(9)
Other	27,785	26%	26%	103,730	98,000	105,000	7,000	(10)
<b>Total Revenues</b>	<b>137,751</b>			<b>494,516</b>	<b>486,000</b>	<b>520,000</b>	<b>34,000</b>	
Personnel Services	(48,725)	28%	27%	(168,256)	(165,000)	(172,000)	(7,000)	(11)
Supplies & Services & Capital Outlay	(86,182)	28%	26%	(302,651)	(283,000)	(306,000)	(23,000)	(12)
<b>Total Expenditures</b>	<b>(134,907)</b>			<b>(470,907)</b>	<b>(448,000)</b>	<b>(478,000)</b>	<b>(30,000)</b>	
<b>Net from Operations</b>	<b>2,844</b>			<b>23,609</b>	<b>38,000</b>	<b>42,000</b>	<b>4,000</b>	
Transfers In	3,974			0	0	0	0	
Transfers Out	(7,170)			(24,325)	(43,132)	(43,132)	0	
Additions/(Deductions) to Restricted Net Assets	0			0	0	0	0	
<b>Change in Restricted Net Assets</b>	<b>(352)</b>			<b>(716)</b>	<b>(5,132)</b>	<b>(1,132)</b>	<b>4,000</b>	
<b>Beginning Restricted Net Assets</b>	<b>9,073</b>			<b>9,789</b>	<b>9,073</b>	<b>9,073</b>	<b>0</b>	
<b>Ending Restricted Net Assets</b>	<b>\$8,721</b>			<b>\$9,073</b>	<b>\$3,941</b>	<b>\$7,941</b>	<b>\$4,000</b>	
% of Operating Revenues	6.3%			1.8%	0.8%	1.5%		

- (8) The positive variance of \$18.0M from the budget for the first quarter projection is primarily due to increases in grant funding for Regional Class Research Vessel (RCRV), Department of Energy (DOE) Cost Effective Electricity, Center for Oldest Ice Exploration, National Oceanic and Atmospheric Administration (NOAA) Marine Ecosystem, and PELL Awards.
- (9) The positive variance of \$9.0M from the budget for the first quarter projection is primarily due to increases in need-based aid from the State and increases in Oregon Department of Human Services (ODHS) Supplemental Nutrition Assistance Program Education (SNAP Ed) program funding.
- (10) The positive variance of \$7.0M from the budget for the first quarter projection is primarily due to increases in scholarship funding and College of Forestry operating gift funds.
- (11) The negative variance of \$7.0M from the budget for the first quarter projection is primarily due to increases in labor expenses associated with RCRV, NOAA Marine Ecosystem, ODHS SNAP Ed, and Oregon Department of Education Capacity Building Center.
- (12) The negative variance of \$23.0M from the budget for the first quarter projection is primarily due to increased expenses associated with RCRV, PELL Awards, Oregon Need based aid, and scholarships.

January 18-19, 2024 Board of Trustees Meetings

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

**As of September 30, 2023**  
**For the Fiscal Year Ended June 30, 2024**

	E&G	Self-Support		Plant fund	Restricted	Other	Total
		Auxiliary	Designated Operations & Service Departments				
Transfers In - E&G		\$228	\$2,590 (c)	\$810	\$132		\$3,760
Transfers Out - E&G		8,724 (a)	1,009 (b)	16,678 (d)			26,411
Transfers In - Auxiliary	\$8,724 (a)			26			8,750
Transfers Out - Auxiliary	228			17,763 (d)			17,991
Transfers In - Designated Operations & Service Departments	1,009 (b)						1,009
Transfers Out - Designated Operations & Service Departments	2,590 (c)			3,128			5,718
Transfers In - Restricted	0						0
Transfers Out - Restricted	132			43,000 (e)			43,132

(a) includes \$8.4M support for athletics

(b) subsidies from E&G for supporting Designated Operations and Service Departments

(c) transfer of royalties to E&G

(d) transfers to plant fund for remodels and space renovations

(e) transfer for federally funded PacWave capital project

*January 18-19, 2024 Board of Trustees Meetings*