

## FY2022 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 outreach goals of OSU's [Strategic Plan 4.0](#). OSU saw significant revenue losses and pandemic-driven cost increases in the current year, but overall, the financial circumstances were significantly better than anticipated at the beginning of the year (Table 1). The FY2022 budget projects significantly increased revenues over a year ago, but does anticipate deficit operations in some self-support units, as they will be operating below full capacity, and recognizes increased expenses for benefits, insurance, debt service and other areas.

There is uncertainty about the budget for FY2022 as circumstances coming out of the pandemic are so unusual. The proposed budget assumes state funding at the level proposed by the co-chairs' budget, enrollment growth in Ecampus of 10%, continued growth at OSU-Cascades, enrollment declines in resident undergraduates in Corvallis of 1.3% and of non-resident undergraduates of 4.4%, and flat enrollment in graduate and professional programs. Restricted fund operations are expected to be at pre-pandemic levels but University Housing and Dining Services (UHDS) are projected to operate at about 75% capacity and Intercollegiate Athletics is modeling fall events with 50% attendance. State funding could improve depending on the May revenue forecast. Undergraduate enrollment might improve if the high number of applications, which were expected due to changes in process, translate into increases in fall matriculation. Staff will bring an updated budget to the Board at the October meeting if there are significant changes.

For the fiscal year July 1, 2021 through June 30, 2022, the university proposes an operating budget (Figure 2 and Tables 2, 3, 4 and 5) with three principal components, totaling \$1.444 billion in revenues and \$1.471 billion 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 Bend Campus, and in the Statewide Public Services. The revenue budget is projected as \$769.0M, with projected expenditures of (\$760.2M) and net transfers out of (\$11.0M). The projected fund balance change is negative (\$2.2M), with an ending fund balance of \$148.1M or 19.0% of revenues. The decline in fund balance is due to spending down \$8.3M in fund balance for Outdoor School.
- **Self-Support Funds** include Auxiliaries (Athletics, Housing & Dining, Student Centers, etc.), Service Centers, Designated Operations, and Royalties. The revenue budget is projected at \$227.3M, with projected expenditures of (\$245.4M) and net transfers of \$2.0M. There are also (\$12.3M) in other deductions to unrestricted net assets. Unrestricted net assets are projected to decrease by \$28.4M (primarily for debt service), for ending unrestricted net assets of \$(51.4M), or -22.6% of revenues. There were significant losses of unrestricted net assets in FY2020 and FY2021 as a consequence of the pandemic-induced losses of revenue.
- **Restricted Funds** include expenditures from externally funded grants and contracts and gift expenditures from the OSU Foundation and other entities. Revenues and expenses are consistently at or near balance in these funds as expenditures are limited by revenue. FY2021-22 revenues are projected to be \$447.9M, expenditures (\$440.3M), and net transfers at (\$3.5M).

## BUDGET CONTEXT

The university'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 strategic vision is to show "leadership among land grant universities in the integrated creation, sharing and application of knowledge for the betterment of humankind." The Plan lays out goals and actions over the period 2019 through 2023 aimed at driving the university to four areas of distinction to be known nationally and internationally in the year 2030: leading innovation in education, inclusion, and collaboration; revolutionary earth systems science; leadership in health and wellness; and leadership in advancing economic prosperity and social progress). The Plan seeks to achieve four goals:

- 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.

Fiscal year 2020-21 has probably been the most challenging budget year most staff have seen in their careers in higher education. However, the efforts of faculty, staff, and students, as well as federal pandemic relief funding, have yielded a better financial picture than was expected in May 2020.

### **FY2021 Update**

The initial budgets distributed to units in May were very conservative (Table 1) and have improved through the year. Corvallis E&G funding, at Quarter 3, is about \$22M better than projected in the initial budget. This improvement is the net of no state funding cuts, increases in sales and services revenues, and significant gains in Ecampus offset by larger tuition losses and increased institutional financial aid for undergraduates (Table 1). Of that \$22M increase, about \$20M is distributed out to units for Ecampus revenue-sharing agreements, sales and service revenues, targeted state funding, or other earmarked revenues. These distributions have helped academic units balance their budgets and minimize some of the expense reductions and hiring delays that were initially planned.

Statewide Public Services (SWPS) revenues are about \$23M more than in the initial budget, because there was only a small reduction in state funding, and OSU-Cascades shows about \$1M more in revenue, principally because of the improved state funding.

Restricted funds are projecting very close to initial budget and are near pre-pandemic levels. This is testament to the work faculty and staff have done to continue research through the pandemic.

Self-support funds are significantly worse than in the initial budget (though very close to the October revised budget). In May 2020, the assumption was that fall 2020 athletic events would take place with some fan attendance and that some housing occupancy would be possible. Both assumptions proved too optimistic.

Overall, considering those adjustments, OSU has estimated gross revenue losses since the beginning of the pandemic of about \$151M (over 80% of that in self-support units) and additional costs of at least \$20M. Those estimates are updated regularly. The losses and costs are being addressed through expense reductions (about \$40M in E&G and \$40M in self-supports), use of some fund balances (\$6M), and application of the federal institutional relief funding—\$7.8M in the HEERF I (CARES Act) tranche; \$14M in HEERF II (CRRSAA Act); and an estimated ~~\$18M~~ \$23M in HEERF III (ARPA)—all in addition to the direct student aid portion of each allocation). The balance of losses, principally in Athletics and UHDS, will be addressed with long-term internal loans as necessary. The federal funding has been critical in moderating the need for personnel reductions and the use of fund balances.

## **FY2022 Overview**

Figure 1 illustrates the revenues and expenses proposed in the FY2022 operating budgets for the three major funds. In FY2021, the greatest challenge has been the losses in self-support operations. The largest of these have been in UHDS and Athletics, but they extended into units including Transportation Services, Printing and Mailing, and many of the smaller service operations across the university. In FY2022, both revenues and expenses in E&G are expected to grow as OSU returns to more typical operations and Restricted Funds are expected to be near pre-pandemic levels. Self-support operations will still see a loss in FY2022 principally because of reduced occupancy in housing and reduced attendance at athletic events.

While self-support revenues will improve in FY2022, they will not return to pre-pandemic levels. Figure 2 provides an estimate of the projected FY2022 revenues by fund compared to what would have been expected approximately in the absence of the pandemic. Restricted funds will be near pre-pandemic levels, but E&G funds will lag those levels for a while and self-support funds will be significantly less than what would have been expected pre-pandemic. It is likely to take more than one fiscal year to return to pre-pandemic revenue and spending levels. UHDS and Athletics, in particular, are expected to operate at a deficit in FY2022 as there are significant fixed costs in personnel and facilities if they operate as planned. E&G budgets are expected to balance, but will not return to pre-pandemic levels, particularly for Corvallis E&G budgets. The expense projections for Corvallis E&G are assuming spending that is 70% at the pre-pandemic rate and 30% at the FY2021 rate (i.e., there will be continuing expense controls in place at least through the next year).

## **Long-term Revenue Context**

Figure 3 illustrates an important long-term change in the mix of revenues for Corvallis E&G budgets. This budget underpins many of the core services for all OSU operations and so has impact on each of OSU's missions and programs. Through FY2016, OSU saw significant growth in non-resident students (particularly international students) while resident enrollments were relatively flat and Ecampus grew consistently. Because those non-resident students paid non-resident tuition (which recognizes the costs of the physical campuses in Bend and Corvallis), net tuition per student grew consistently through those years.

Beginning in 2016-17 non-resident undergraduate enrollment growth stagnated, resident enrollment began to decline, and Ecampus growth accelerated. These trends have continued through this year and have resulted in Ecampus tuition becoming a larger and larger part of Corvallis E&G enrollments. Next year, about 26% of Corvallis revenues are expected to be from net Ecampus tuition. As this trend developed, the net tuition per student has declined, since

Ecampus students are more often part-time and there is not the same non-resident tuition charge for Ecampus. This is not a bad thing, but is a natural consequence of a growing, nationally competitive online program that reaches students who could never engage with OSU in Corvallis and Bend.

The change in net tuition per student does create challenges. Those students often need advising, support services, financial aid services, and so on in the same degree as traditional, full-time students do. At the same time, the university has a number of areas (including but not limited to strengthening enrollment management; supporting the community wellness, health and education network; improving IT security; restructuring human resources and business operations systems; and expanding research support and infrastructure) that require new investments, sometimes to realize costs savings and sometimes to advance an important priority in the strategic plan.

The trends in net tuition mean that net new revenues will not be sufficient, alone, to fund those services and new initiatives. Over the next few years, OSU will have to also look for ways to reduce the cost of delivering current services as well as reallocate budget to high priority needs.

## **EDUCATION AND GENERAL FUNDS**

Education and General (E&G) Funds support Corvallis academic and support operations, OSU-Cascades academic and support operations, and the operations of the Statewide Public Services (SWPS). The FY2022 budget presents different challenges for each of the three operations.

### **Strategic Intent**

The two priorities for the FY2022 budget are to make progress in returning to more typical levels of activity and employment 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 engagement in communities.

### **Revenues**

The total revenue change in E&G funds is projected to be an increase (over the projected FY2021 Q3 shown in Table 1) of 3.2% or \$24M (\$3.9M in the Statewide Public Services, flat funding for Outdoor School, \$18.0M at Corvallis and \$2.1M at OSU-Cascades). This assumes growth in OSU-Cascades enrollments at the same rate as in recent years, 10% growth in Ecampus, 1.3% reduction in resident undergraduates in Corvallis and a 4.4% reduction in non-resident undergraduates in Corvallis, flat graduate and professional enrollment, and state funding at the co-chairs funding level that includes a 5.88% increase in biennial funding. The projections include the reductions OSU will see because of changes in the state distribution formula. Total operating revenues are projected to be \$769.0M.

### **Expenditures and Net Transfers**

Expenditures in E&G funds are projected to increase 7% in personnel and services and supplies spending, relative to FY2021 Q3 projections, as operations move towards more typical levels

(Table 2). However, the revenue growth will not be sufficient to return all the way to pre-pandemic levels of spending. Expense management will continue to be important.

In FY2021, transfers out from E&G largely ceased as projects using E&G capital renewal funds shifted to using Internal Bank funds to preserve cash. Net transfers out in FY2022 are projected to be \$11.0M as departments fund work on some capital projects.

Ending fund balance in E&G is projected to be \$145.9M or 19% of operating revenues. This is a decrease of \$2.2M. However, this decline includes a reduction of \$8.3M in fund balance for Outdoor School as revenues from FY2021 that could not be spent are sent out to school districts in FY2022. Excluding the Outdoor School operations E&G fund balances are projected to increase \$6.0M (Table 6).

### **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 major uncertainties in the projections. Each of the three major operating parts of the Education and General budget face challenges in the next year.

The state's financial circumstances are much better than anticipated prior to the beginning of session. There is a revenue forecast due on May 19 which will provide the final estimates to inform the 2021-2023 budget. The legislative co-chairs' budget funds the Public University Support Fund (PUSF) at \$886M which is a 5.88% increase (the continuing service level—CSL— increase calculated by the Department of Administrative Services). The seven public universities continue to advocate for funding the PUSF at \$900M, which is the true CSL for public universities and would increase the allocation to OSU by \$2M to \$3M.

Nationally, enrollment was already flattening as growth in the traditional college-age population slows. Freshmen enrollments in Corvallis were down in fall 2019 for both residents and non-residents. The loss of those students is partly offset by continued growth in Ecampus revenues but the rate of increase in Ecampus was slowing prior to the pandemic. There is increased competition for resident Oregon students due to Oregon's version of free community college, the Oregon Promise, and all seven public universities competing for fewer students. Recruiting non-resident students is becoming more difficult. International recruiting is more competitive as there are many more institutions, countries, and for-profit companies seeking those students. Nearly all public universities are seeking more U.S. students from outside the institution's home state and the competition for those students is intense.

The impact of the coronavirus pandemic is layered on top of these trends. International student enrollments were down significantly in fall 2020 and community colleges nationally saw dramatic decreases in enrollments. OSU has changed the requirements for test scores, changed some deadlines, revised some institutional financial aid practices, rejoined the Western Undergraduate Exchange, and implemented stronger relationship management tools and practices. All of these factors have led to significant increases in applications, particularly for non-resident students. However, the pandemic has upended most traditional indicators of the links between application numbers and actual matriculation rates, so there is substantial uncertainty in the projections for fall.

Finally, the federal funding 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 spending in support of managing the pandemic which could impact allocations in the next year as concerns about deficits and tax revenues continue to mount and there are competing priorities.

#### *OSU-Cascades Issues*

OSU-Cascades faces the enrollment environment noted above 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 freshmen. Because so many students at OSU-Cascades are first-generation college students the uncertainty in their enrollment is greater as we move out of the pandemic. OSU-Cascades is also trying to build out the academic program portfolio which requires making investments in faculty and programs before enrollment in those programs is realized.

OSU-Cascades is more dependent on state funding than Corvallis (42% vs. 23%) so an increase in funding for the PUSF would have a larger proportional impact at OSU-Cascades.

#### *Corvallis Issues*

There are two issues of particular concern to Corvallis E&G operations. The first is what actual enrollments will be in the fall. For the reasons discussed above, historical indicators of yield from applications are of limited value this year. Application trends are encouraging but the budget projections here are based on conservative estimates of new and continuing students. We likely will not know enrollment forecasts reliably until well into summer START sessions.

The second issue is the rate at which units will need to resume more normal spending. Although OSU cannot resume spending at the FY2020 rates (adjusted for inflation), there will need to be significant growth in spending over FY2021 levels to meet the needs of resuming more typical operations. The expense projections here assume spending that is about 70% at FY2020 rates (adjusted for inflation) and 30% at the reduced FY2021 rates.

#### *Statewide Public Services Issues*

The Statewide Public Services saw a modest reduction in state funding in FY2021 but those reductions were much less than originally feared. State funding comprises over 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.

There is one important change in funding for the PUSF that impacts the SWPS and one that impacts a dedicated program in the College of Veterinary Medicine. The PUSF restructured the mission differentiation allocations and dropped line-item support for the Veterinary Diagnostic Laboratory (VDL) and support for facilities operations for SWPS labs and offices in Corvallis. These total about \$3.5M annually. The Governor, in her budget, recommended that funding for these two items be restored, the VDL as a line in the State Programs allocations to E&G and the

SWPS facilities as an increase to the SWPS allocation. The budget projections assume that the funding for both of these items is restored.

### **SELF-SUPPORT FUNDS**

Self-Support Funds (Table 1) include the operations of the Auxiliaries (Athletics, Housing and Dining, 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 in revenues of \$69.6M over FY2021, which is still \$19.6M short of revenues in FY2019 which was the last full year of normal operations. Operations will be moving closer to typical, but will not be back to full participation 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-term 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 self-support operations. The total change in unrestricted net assets was a loss of \$42.7M (Table 3). The second and third federal stimulus allocations will help address some of these losses but those allocations have not been included here since the final disbursement plan has not been completed. The constraints on operations assumed for 2021-22 will yield an additional \$28.4M loss principally because of reduced occupancy in housing and reduced attendance for Athletics. Ending unrestricted net assets are projected to be a negative (\$51.4M), or -22.6% of revenues.

#### **Revenues**

Fee-based revenues are expected to be up slightly over FY2021 but Sales and Service income will increase by nearly 80% over the current year as in-person operations resume on the Corvallis and Bend campuses. Overall revenues are expected to increase about 44% though will still lag historical amounts.

#### **Expenditures**

Both Personnel Services and Supplies and Services costs are projected to increase significantly (17%) as units adjust staffing and services to deliver services to increased numbers of students and higher client volumes (though only to about 75% of capacity in UHDS and 50% normal attendance at athletic events).

Transfers Out are down significantly compared to historical levels because there are fewer transfers to plant funds for capital repair and renewal as units defer capital improvement needs.

## Uncertainties, Issues, and Opportunities

Many of the revenue streams for the self-support operations depend on enrollment, and so are extremely dependent on final enrollment numbers. We expect these to be volatile through September as students and families assess the experience they may have on campus in fall term and their comfort with plans for a return to campus.

## RESTRICTED FUNDS

Restricted Funds (Table 4) 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 additional E&G support for the OSU Foundation and the Alumni Association but may need to defer additional growth this particular year as part of managing the overall revenue shortfalls.

### Revenues

Strong growth (8.3%) is projected in restricted fund expenditures, 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 FY2022. The revenues are expected to be near pre-pandemic growth levels.

### Expenditures

Expenditure increases (9.2%) reflect the increased grant revenue, with those revenues spent on personnel services and services and supplies as well as expenditures in support of the large research projects (including the RCRV and PacWave projects). Transfers out from restricted funds are principally to plant funds for renovation and construction.

## Uncertainties, Issues, and Opportunities

There are several uncertainties in projections for restricted funds. One is 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 priorities for the current administration. Another 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**

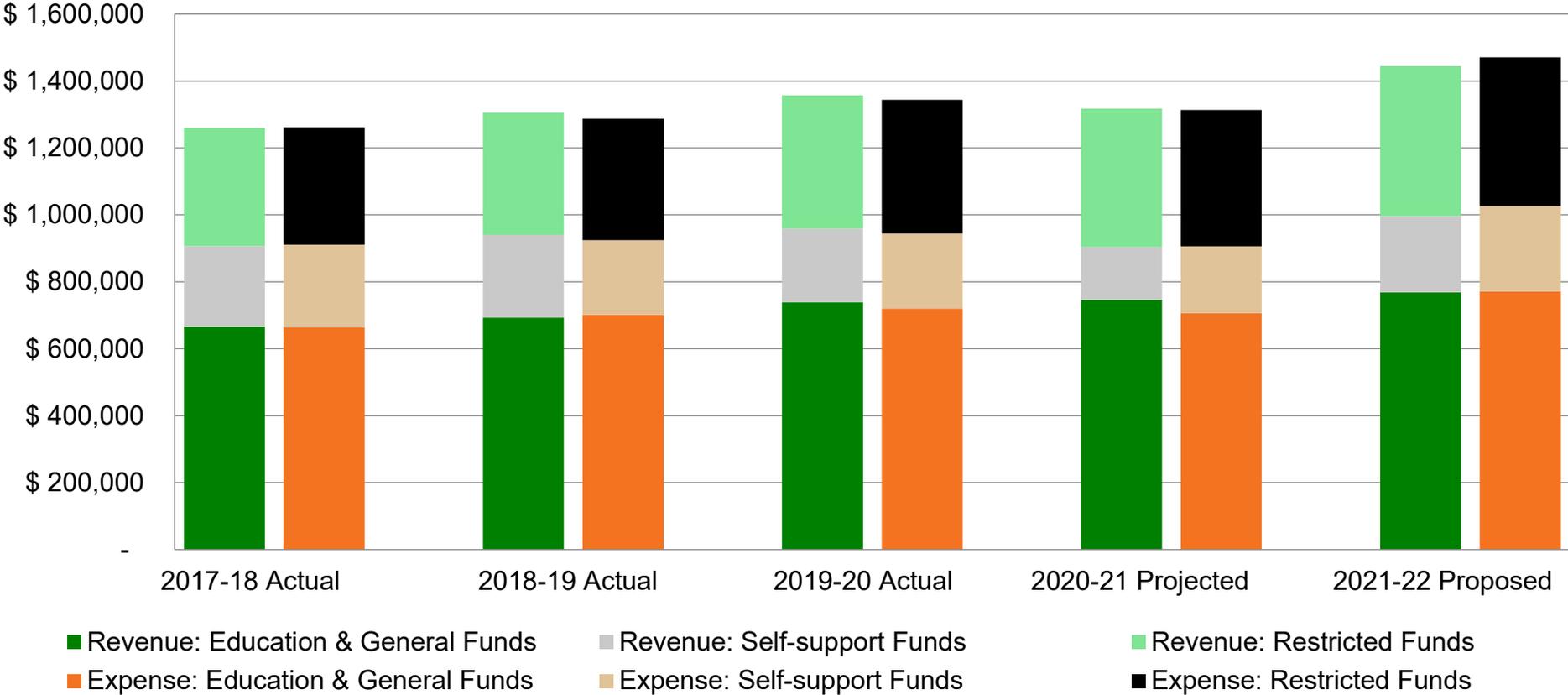
Staff recommend that the Finance & Administration Committee recommend to the Board that it approve the proposed operating budget for FY2022 as presented in Tables 2 through 6.

**Table 1:** Comparison of revenue budgets for FY2020 (near normal except for self-supports); FY2021 budgets in May (the initial budget), October (the revised budget) and Quarter 3 (current projections); and the proposed budget for FY2022. The table illustrates the significant shifts in revenues as the current year unfolded. While the overall revenues are relatively close to the initial budget, individual funds and revenue streams within those funds changed dramatically.

<b>Total Across Funds:</b>	<b>1,357,574,858</b>	<b>1,329,917,309</b>	<b>1,292,434,435</b>	<b>1,316,350,552</b>	<b>1,444,277,411</b>
<b>Education &amp; General Funds-Corvallis</b>	<b>FY20 Actuals</b>	<b>FY21 Initial</b>	<b>FY21 Revised</b>	<b>FY21 Q3</b>	<b>FY22 Proposed</b>
State funding	138,748,682	118,415,894	142,883,109	145,843,054	141,773,910
F&A Recovery	42,519,344	41,659,281	41,263,488	42,200,000	43,000,000
Interest	10,409,820	8,280,000	7,371,241	7,600,000	8,772,000
Sales and services	19,567,412	16,771,000	16,176,601	20,154,175	19,906,581
Other	3,952,752	3,166,000	3,100,000	6,380,519	5,143,246
SELP	1,072,584	1,072,584	1,072,584	1,072,584	1,072,584
Resident undergraduate tuition	112,072,584	106,892,952	107,505,215	108,016,125	109,764,984
Non-resident undergraduate tuition	118,243,656	112,735,809	106,125,166	103,397,337	103,807,685
Graduate & professional tuition	60,412,166	62,210,238	61,260,624	62,266,886	63,037,797
Ecampus tuition	117,751,525	138,413,315	145,499,799	147,253,796	164,295,378
Other tuition and fees	21,648,637	18,659,899	17,826,290	18,234,620	22,258,439
Tuition waivers	(45,554,040)	(44,989,312)	(54,801,631)	(57,125,000)	(59,546,000)
<b>Total</b>	<b>600,845,122</b>	<b>583,287,660</b>	<b>595,282,486</b>	<b>605,294,096</b>	<b>623,286,604</b>
<b>Education &amp; General Funds-Cascades</b>	<b>FY20 Actuals</b>	<b>FY21 Initial</b>	<b>FY21 Revised</b>	<b>FY21 Q3</b>	<b>FY22 Proposed</b>
Net tuition and fees	10,551,254	10,501,615	10,299,997	10,153,806	11,828,029
State funding	7,763,167	6,595,642	8,053,287	8,053,287	8,419,586
Other funds	358,376	194,671	369,142	104,765	168,647
<b>Total</b>	<b>18,672,797</b>	<b>17,291,928</b>	<b>18,722,426</b>	<b>18,311,858</b>	<b>20,416,262</b>
<b>Education and General Funds--SWPS</b>	<b>FY20 Actuals</b>	<b>FY21 Initial</b>	<b>FY21 Revised</b>	<b>FY21 Q3</b>	<b>FY22 Proposed</b>
State Appropriation-FRL, AES, EXT	70,369,047	61,009,965	68,805,053	69,651,599	72,385,324
State-Outdoor School	19,150,783	9,242,393	19,990,060	22,700,493	22,199,864
Other appropriations and funds	30,034,540	27,555,363	27,290,563	29,098,506	30,757,357
<b>Total</b>	<b>119,554,370</b>	<b>97,807,721</b>	<b>116,085,676</b>	<b>121,450,598</b>	<b>125,342,545</b>
<b>Restricted Funds</b>	<b>FY20 Actuals</b>	<b>FY21 Initial</b>	<b>FY21 Revised</b>	<b>FY21 Q3</b>	<b>FY22 Proposed</b>
Federal funds	283,698,844	293,648,000	293,090,000	295,000,000	324,500,000
State revenue	19,891,742	21,976,000	21,589,998	21,000,000	22,890,000
Other revenue	95,291,983	97,784,000	89,181,357	97,600,000	100,528,000
<b>Total</b>	<b>398,882,569</b>	<b>413,408,000</b>	<b>403,861,355</b>	<b>413,600,000</b>	<b>447,918,000</b>
<b>Self Support Funds</b>	<b>FY20 Actuals</b>	<b>FY21 Initial</b>	<b>FY21 Revised</b>	<b>FY21 Q3</b>	<b>FY22 Proposed</b>
Enrollment fees	39,608,000	36,889,000	29,903,813	41,092,000	41,703,000
Sales & Services	138,692,000	143,773,000	98,942,724	81,909,000	147,321,000
Other	41,320,000	37,460,000	29,635,955	34,693,000	38,290,000
<b>Total</b>	<b>219,620,000</b>	<b>218,122,000</b>	<b>158,482,492</b>	<b>157,694,000</b>	<b>227,314,000</b>

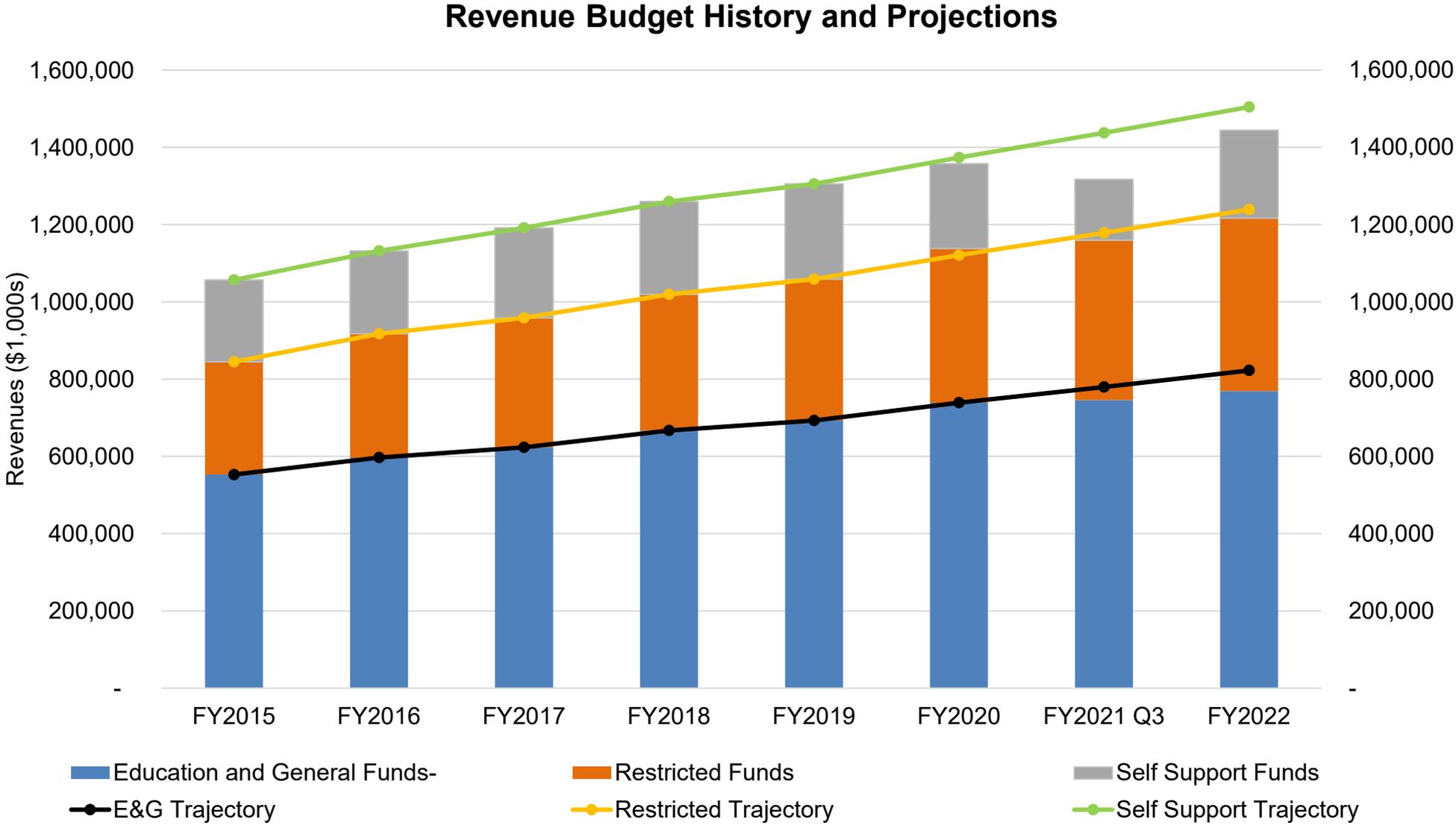
**Figure 1:** Summary of revenues and expenditures plus net transfers and adjustments for the three major operating funds. Actuals for three previous years, the Quarter 3 projection for the current year, and the proposed budget for FY2022 are shown. In the proposed budget E&G expenditures are near the same level as revenues, as are restricted funds, but self-support funds are projected to operate at a deficit again as University Housing and Dining and Intercollegiate Athletics only partially resume full-capacity operations. Much of the FY2021 E&G revenue above expense reflects funding received for Outdoor School which could not be expended this year, but will be distributed in future years.

### Oregon State University FY2022 Operating Budget All Funds (in \$1,000s)



May 20 – 21, 2021 Board of Trustees Meetings

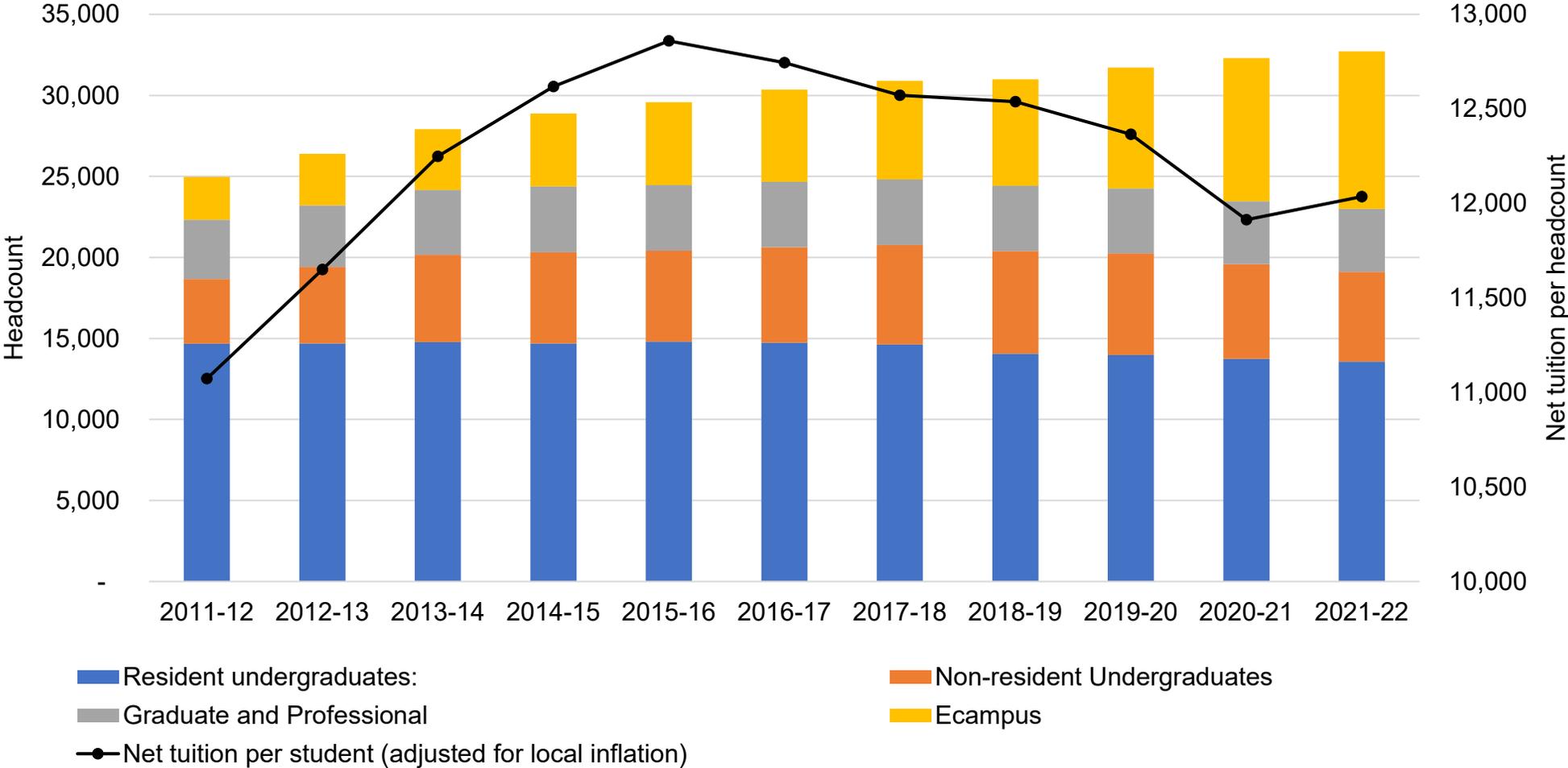
**Figure 2:** Revenue budget history, projections for FY2021, and proposed budget for FY2022 (bar graphs) with lines showing the expected pre-pandemic level of revenues for each fund. In FY2022, E&G revenues are projected at about 94% of projected pre-pandemic levels, restricted funds at 107%, and self-support funds at only about 86% due to reduced capacity in housing and dining and at athletic events.



May 20 – 21, 2021 Board of Trustees Meetings

**Figure 3:** Headcount by student campus and residency (bar graphs) and average net tuition per headcount (total net tuition divided by total headcount). Net tuition per headcount increased rapidly through FY2016 as the number of non-resident students grew. As the numbers of traditional campus students began declining in FY2017 and the number of Ecampus students continued to grow net revenue per headcount declined. This is from the lower average credit hour load taken by distance students and the difference in tuition rate for a purely distance non-resident student and a non-resident student who comes to Corvallis or OSU-OSU-Cascades for in-person classes. This trend is expected to continue and has consequences for revenue growth and distribution.

### OSU Corvallis and Ecampus Headcount Enrollment



May 20 – 21, 2021 Board of Trustees Meetings

**Table 2:** Education and General Funds Revenues and Expenditures projected for 2021-22

<b>EDUCATION &amp; GENERAL (Corvallis, Cascades, Statewide Public Services)</b>							
(in thousands except enrollment)	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
	<b>Actual</b>	<b>Actual</b>	<b>Q3 Projection</b>	<b>Budget</b>	<b>% Chg.</b>	<b>% Chg.</b>	<b>% Chg.</b>
State General Fund	\$212,449	\$237,104	\$247,321	\$245,851	12%	4%	-0.6%
Tuition & Resource Fees, net of Remissions	379,028	395,126	392,198	415,446	4%	-1%	5.9%
Other	101,693	106,842	105,538	107,748	5%	-1%	2.1%
<b>Total Revenues</b>	<b>693,170</b>	<b>739,072</b>	<b>745,057</b>	<b>769,045</b>	<b>7%</b>	<b>1%</b>	<b>3.2%</b>
Personnel Services	(525,225)	(551,933)	(546,318)	(578,571)	5%	-1%	5.9%
Supplies & Services & Capital Outlay	(156,339)	(153,182)	(163,652)	(181,660)	-2%	7%	11.0%
<b>Total Expenditures</b>	<b>(681,564)</b>	<b>(705,115)</b>	<b>(709,970)</b>	<b>(760,231)</b>	<b>3%</b>	<b>1%</b>	<b>7.1%</b>
<b>Net from Operations</b>	<b>11,606</b>	<b>33,957</b>	<b>35,087</b>	<b>8,814</b>			
Transfers In	10,013	14,901	20,208	3,214	49%	36%	-84.1%
Transfers Out	(30,157)	(29,681)	(15,749)	(14,216)	-2%	-47%	-9.7%
Fund Additions/(Deductions)	0	0	0	0			
Change in Fund Balance	(8,538)	19,177	39,546	(2,188)			
<b>Beginning Unrestricted Net Assets</b>	<b>97,933</b>	<b>89,395</b>	<b>108,572</b>	<b>148,118</b>			
<b>Ending Unrestricted Net Assets</b>	<b>\$89,395</b>	<b>\$108,572</b>	<b>\$148,118</b>	<b>\$145,930</b>	<b>21%</b>	<b>36%</b>	<b>-1.5%</b>
% Operating Revenues	12.9%	14.7%	19.9%	19.0%			

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**Table 3:** Self-support Funds Revenues and Expenditures projected for 2021-22.

<b>SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments</b>							
(in thousands)	2019 Actual	2020 Actual	2021 Q3 Projection	2022 Budget	2019-20 % Chg.	2020-21 % Chg.	2021-22 % Chg.
Enrollment Fees	\$39,230	\$39,608	\$41,092	\$41,703	1%	4%	1%
Sales & Services	164,766	138,692	81,909	147,321	-16%	-41%	80%
Other	42,927	41,320	34,693	38,290	-4%	-16%	10%
<b>Total Revenues</b>	<b>246,923</b>	<b>219,620</b>	<b>157,694</b>	<b>227,314</b>	<b>-11%</b>	<b>-28%</b>	<b>44%</b>
Personnel Services	(116,924)	(116,015)	(104,994)	(122,402)	-1%	-9%	17%
Supplies & Services & Capital Outlay	(124,022)	(115,506)	(104,970)	(122,982)	-7%	-9%	17%
<b>Total Expenditures</b>	<b>(240,946)</b>	<b>(231,521)</b>	<b>(209,964)</b>	<b>(245,384)</b>	<b>-4%</b>	<b>-9%</b>	<b>17%</b>
<b>Net from Operations</b>	5,977	(11,901)	(52,270)	(18,070)			
Transfers In	12,074	23,936	20,282	9,085	98%	-15%	-55%
Transfers Out	(22,159)	(10,593)	(5,024)	(7,094)	-52%	-53%	41%
Additions/(Deductions) to Unrestricted Net Assets	(6,896)	(6,153)	(5,692)	(12,274)			
Change in Unrestricted Net Assets	(11,004)	(4,711)	(42,704)	(28,353)			
<b>Beginning Unrestricted Net Assets</b>	<b>0</b>	<b>24,368</b>	<b>19,657</b>	<b>(23,047)</b>			
<b>Ending Unrestricted Net Assets</b>	<b>(\$11,004)</b>	<b>\$19,657</b>	<b>(\$23,047)</b>	<b>(\$51,400)</b>	<b>-279%</b>	<b>-217%</b>	<b>123%</b>
% Operating Revenues	-4.5%	9.0%	-14.6%	-22.6%			

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**Table 4:** Restricted Funds Revenues and Expenditures projected for 2021-22.

<b>RESTRICTED FUNDS</b>							
(in thousands)	2019 Actual	2020 Actual	2021 Q3 Projection	2022 Budget	2019-20 % Chg.	2020-21 % Chg.	2021-22 % Chg.
Federal	\$248,123	\$283,696	\$295,000	\$324,500	14%	4%	10.0%
State	20,139	19,892	21,000	22,890	-1%	6%	9.0%
Other	97,158	95,292	97,600	100,528	-2%	2%	3.0%
<b>Total Revenues</b>	<b>365,420</b>	<b>398,880</b>	<b>413,600</b>	<b>447,918</b>	<b>9%</b>	<b>4%</b>	<b>8.3%</b>
Personnel Services	(134,831)	(139,361)	(142,314)	(148,006)	3%	2%	4.0%
Supplies & Services & Capital Outlay	(222,042)	(251,747)	(261,000)	(292,320)	13%	4%	12.0%
<b>Total Expenditures</b>	<b>(356,873)</b>	<b>(391,108)</b>	<b>(403,314)</b>	<b>(440,326)</b>	<b>10%</b>	<b>3%</b>	<b>9.2%</b>
<b>Net from Operations</b>	8,547	7,772	10,286	7,592			
Transfers In	384	55	70	14	-86%		-80%
Transfers Out	(5,915)	(8,396)	(4,007)	(3,500)	42%	-52%	-13%
Additions/(Deductions) to Restricted Net Assets	0	(81)	0	0			
Change in Restricted Net Assets	3,016	(650)	6,349	4,106			
<b>Beginning Restricted Net Assets</b>	<b>10,716</b>	<b>13,732</b>	<b>13,082</b>	<b>19,431</b>			
<b>Ending Restricted Net Assets</b>	<b>\$13,732</b>	<b>\$13,082</b>	<b>\$19,431</b>	<b>\$23,537</b>	<b>-5%</b>	<b>49%</b>	<b>21%</b>
% Operating Revenues	3.8%	3.3%	4.7%	5.3%			

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**Table 5:** Summary of budgeted inter-fund transfers for FY2021-2022.**OREGON STATE UNIVERSITY - Budgeted Transfers**

Fiscal Year 2022

**Education & General**Transfers In

From Self Support	
Royalties (Trademark fund)	2,100,699
Auxiliaries	212,000
Service Centers	-
Designated Operations	-
From Grants (Jefferson Bldg)	127,500
Termination of Plant Funds	500,000
From Plant Funds - Cascades	125,000
From Plant Funds - SWPS AES	149,108
Total Transfers In	<u>3,214,307</u>

Transfers Out

To Self Support	
Athletics	8,000,000
Service Centers support	589,768
Designated Operations support	316,643
Various Auxiliaries	10,000
To Grants (Restricted)	-
To Plant	5,000,000
SWPS - AES to Plant	262,218
SWPS - AES to Des Ops	37,782
Total Transfers Out	<u>14,216,411</u>

**Self Support**Transfers In

From Education & General - Athletics	8,000,000
From Education & General - Service Centers	589,768
From Education & General - Designated Operations	316,643
From Education & General - various Auxiliaries	10,000
From SWPS - AES - Des Ops	37,782
From Plant to Des Ops	131,134
Total Transfers In	<u>9,085,327</u>

Transfers Out

To Education & General from Royalties (Trademark)	2,100,699
To Education & General from Athletics	212,000
To Education & General from Service Centers	-
To Restricted from Designated Operations	14,080
To Plant	4,767,401
Total Transfers Out	<u>7,094,180</u>

**Restricted Funds**Transfers In

From Designated Operations	14,080
Total Transfers In	<u>14,080</u>

Transfers Out

To Education & General - grant for Jefferson Building	127,500
To Plant	3,372,500
Total Transfers Out	<u>3,500,000</u>

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**Table 6:** Detail for Education and General Fund Operations Projected for 2021-22.**FY2022 Budget Request to Board**

<b>E&amp;G Projections</b>	<b>E&amp;G-Corvallis</b>	<b>E&amp;G-Cascades</b>	<b>AES</b>	<b>EXT</b>	<b>FRL</b>	<b>OS</b>	<b>Adj</b>	<b>Total</b>
State Appropriation	142,846,494	8,419,586	37,790,605	29,054,719	5,540,000	22,199,864		245,851,268
Net Tuition & Resource Fees	403,618,283	11,828,029	-	-	-			415,446,312
Other Revenue	76,821,827	168,647	7,295,149	19,762,208	3,700,000			107,747,831
	<b>623,286,604</b>	<b>20,416,262</b>	<b>45,085,754</b>	<b>48,816,927</b>	<b>9,240,000</b>	<b>22,199,864</b>		<b>769,045,411</b>
Personal Services	478,250,625	17,397,547	33,906,822	40,941,942	6,841,000	1,233,410		578,571,346
Supplies & Services	145,982,683	4,374,845	9,804,742	8,310,000	1,500,000	29,242,450		199,214,720
Capital Outlay	5,649,054	2,164	750,000	45,000	35,000			6,481,218
Student Aid	2,106,002	-	-	-	-			2,106,002
Internal Sales	(25,097,114)	(20,000)	(840,000)	(150,000)	(35,000)			(26,142,114)
	<b>606,891,250</b>	<b>21,754,556</b>	<b>43,621,564</b>	<b>49,146,942</b>	<b>8,341,000</b>	<b>30,475,860</b>		<b>760,231,172</b>
<b>Net Operating Gain (Loss)</b>	<b>16,395,354</b>	<b>(1,338,294)</b>	<b>1,464,190</b>	<b>(330,015)</b>	<b>899,000</b>	<b>(8,275,996)</b>		<b>8,814,239</b>
Transfers In	2,940,199	618,788	135,000	652,697	-	-	(1,132,377)	3,214,307
Transfers Out	(15,048,788)		(300,000)	-	-	-	1,132,377	(14,216,411)
<b>Change in Fund Balance</b>	<b>4,286,765</b>	<b>(719,506)</b>	<b>1,299,190</b>	<b>322,682</b>	<b>899,000</b>	<b>(8,275,996)</b>		<b>(2,187,865)</b>
Beg Est Fund Balance-FY21	115,696,602	518,859	8,955,339	5,435,255	4,538,987	12,973,809		148,118,851
3rd Qtr Est								
<b>FY2021 Estimated Ending Fund Balance</b>	<b>\$ 119,983,367</b>	<b>\$ (200,647)</b>	<b>\$ 10,254,529</b>	<b>\$ 5,757,937</b>	<b>\$ 5,437,987</b>	<b>\$ 4,697,813</b>		<b>\$ 145,930,986</b>
	19.3%	-1.0%	22.7%	11.8%	58.9%	21.2%		19.0%

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## Appendix A: 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***

Education and General (E&G) Funds: 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

Self-Support Funds: 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.

Restricted Funds: 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.