FY2021 Revised 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. The proposed revised operating budget for FY2021 is detailed in Tables 3 through 7, starting on page 12. Attachment 1, starting on page 17, provides explanatory notes about the university's budget.

The current public health circumstances have made any budget proposal extremely uncertain and when the Board approved an initial budget in May it was with the expectation that a revised budget would be considered at the October meeting. The all funds operating revenue budget for FY2021 would normally be about $1.4B (billion). The estimates in May ranged from revenue projections of about $1.2B to $1.35B. In May, the Board approved an operating budget that assumed significant in-person activity in fall 2020, although at reduced density. That budget for the fiscal year July 1, 2020 through June 30, 2021 totaled $1.330B in revenues and $1.336B in expenditures, net transfers and fund deductions.

BUDGET CHANGES SINCE MAY

Since May, circumstances have changed significantly and a revised budget is proposed that totals $1.292B in revenue and $1.359B in expenditures, net transfers and fund deductions (Table 1).

- 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 (SWPS). The revenue budget is projected as $730.1M, with projected expenditures of ($712.9M) and net transfers out of (~~$28.8M~~ $27.2M). The projected fund balance change is (~~$11.6M~~ $10.0M), with an ending fund balance of ~~$97.0M~~ $98.5M or ~~13.3%~~ 13.5% of revenues.
- Self-Support Funds include Auxiliaries (Athletics, Housing & Dining, Student Centers, etc.), Service Centers, Designated Operations, and Royalties. The revenue budget is projected at $158.5M, with projected expenditures of ($211.1M) and net transfers of $1.1M. There are also ($4.4M) in other deductions to unrestricted net assets. Unrestricted net assets are projected to decrease by $55.9M, for ending unrestricted net assets of ($36.2M). The changes to largely remote delivery and the postponement of athletic events had a profound impact on self-support revenues that will require cash management strategies discussed later.
- 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 revenues are projected to be $403.9M, expenditures ($399.6M), and net transfers at ($2.9M).

The budget scenarios have converged since May but there remain significant uncertainties. If there were a change to completely remote delivery it could impact revenues in housing and dining, education and general funds, and fee-funded operations. The revenue impact of a resumption of fall athletic events remains uncertain pending decisions about numbers of events and broadcast distribution. Staff will provide updates on these issues as part of the quarterly financial reviews.

The operating budget of the university 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. The fundamental purpose of that budget has not changed.

Staff have maintained a set of post-COVID budget scenarios since March, built with assumptions about percentage changes in the major revenue categories for different modes of delivery and different assumptions about the responses of students and stakeholders. As the spring and summer progressed those assumptions changed, particularly at certain junctures (the announcements in August, for example, about a move to largely remote instruction and a postponement of Pac-12 athletic events). The best and worst case scenarios have converged over time and the proposed budget represents the university's assessment of revenues and expenses based on what is known now.

Since May, some of the major changes that have impacted the budget planning include:

- The university announced in August that most classes would be delivered remotely.
- The Pac-12 announced in August that fall sports would be delayed till January at the earliest but that decision was revised on September 24 to allow for a seven game football season and resumption of basketball. Schedules for those and other sports are being developed.
- The second special session of the Legislature held funding for the Public University Support Fund constant and made only small reductions in funding for State Programs and the Statewide Public Services.
- Classes began on September 23, providing more definitive enrollment data. Enrollment is stronger than had been projected in earlier planning scenarios. The deadline for course drops with a 100% tuition refund is October 4 and the deadline for a drop with 50% refund is October 18.
- The work of OSU faculty resulted in a record year for external grant and contract awards, providing a stronger result for restricted fund projections.
- Move-in to the dorms occurred September 18 to 23 and occupancy somewhat exceeded the 2,000 beds assumed in the budget projections.
- Units have put in place expense reductions including personnel actions (salary reductions, delayed hires, holding vacant positions), reduced services and supplies spending, and deferred capital renewal actions.

These changes provided more certainty to estimating revenues and expenses for the major funds and allow revision of the budget as presented here. Enrollment will be largely certain after October 4. Table 2 compares the May budget with the revised budget so the differences can be clearly seen. Figure 1 (top) shows the evolution of the projected gap between normal FY2021 spending levels and the projected revenues. Figure 1 (bottom) summarizes the budget management strategy in the same way as was presented at the August and September Board meetings.

The revised budgets (Tables 3, 4, 5 and 6) for the three major fund types are reviewed briefly below.

EDUCATION AND GENERAL FUNDS

Education and General Funds support Corvallis academic and support operations, Cascades academic and support operations, and the operations of the Statewide Public Services. The budget for E&G funds is shown in Table 3 and the components of the E&G budgets are detailed in Table 7.

Strategic Intent

The two priorities for the FY2021 budget are to maintain programs and employees to the greatest extent possible in order to continue to support the mission of the university 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 a decrease of 1.2% or $9.0M (Table 3) over FY2020. While still down, it is significantly improved over May (Table 2) principally due to the legislature's commitment to maintain the level of funding for the public universities and to make only small reductions in the Statewide Public Service allocations. The state funding increase is offset somewhat by reduced projections of net tuition. While Ecampus enrollments are strong (up over 25% for fall), enrollments in Corvallis for resident and domestic non-residents are down and undergraduate international enrollments are down significantly. Ecampus students typically take part-time course loads and the average credit hour load for Corvallis students is down somewhat. Institutional financial aid is up (part of keeping enrollments as strong as they are). Taken together, these factors yield net tuition revenues that are lower than those forecast in May.

Expenditures and Net Transfers

Expenditures in E&G funds are projected to decline about 1.3% in personnel costs (Table 3). Services and supplies expenses increase 9.9% over FY2020 due to the assumption that $19.9M in Outdoor School funds are spent (a large portion of those funds were not expended in 2020), which is an increase of $10.3M over FY2020. Services and supplies spending for Corvallis, Cascades, and the SWPS are projected to increase only $5.0M or 3.4% largely from insurance, building operations, and other fixed cost increases.

Expenditure estimates are up over May (Table 2) because the large state reductions did not materialize and the Statewide Public Services, as well as colleges, did not have to plan for such extreme personnel reductions as in May. Services and supplies spending is up as well, but a significant part of it (relative to FY2020) is from assuming that Outdoor School funds will be expended. These programs were suspended in spring 2020 and funds were never spent, so S&S spending for FY2020 is anomalously low.

Units received preliminary budgets at the end of July and have already implemented cost reduction strategies.

Uncertainties, Issues and Strategies

The proposed operating budget is an estimate of the resources and investments for the current fiscal year and the uncertainties have lessened since the May budget.

The state revenue forecast was updated on September 23 and shows a stronger economy than was forecast in May. There is no expectation for further reductions to state support this biennium.

Enrollment is near final (pending students dropping and adding courses) so we do not expect large changes. While the federal funding environment remains volatile, we do not expect any changes to the formula funding supporting the SWPS or the grant funds committed to OSU.

The gap between pre-COVID expense estimates and the projected revenues across all funds is now estimated to be about $37M for Corvallis, $0.3M for Cascades, and $6M for the SWPS (Figure 1). The framework being used to close those gaps includes several components which will vary in size and proportion in the three units:

- Reduce capital renewal and other one-time central commitments.
- Reduce services and supplies spending. Units have provided expense reduction plans to identify areas of potential savings.
- Reduce personnel costs through position vacancies and delayed hiring. Units have provided expense reduction plans to identify savings in their unit.
- Implement a university-wide salary reduction program. This reduction program was implemented on September 1 when the projection for the revenue shortfall in Corvallis was about $55M.
- Strategic use of fund balance. This is consistent with one of the strategies that emerged from the Ten-Year Business Forecast of spending down fund balance below the preferred 10% threshold in response to a sudden revenue stress to avoid “overcorrecting” through personnel or program reductions.

Cascades Issues

Cascades faces the same enrollment environment and is also recruiting more non-traditional students as a portion of enrollment than Corvallis. Despite that, work by staff and faculty has yielded good enrollment at Cascades and the expectation for E&G operations is only a modest operating deficit after expense reductions (Table 7).

Statewide Public Services Issues

The Statewide Public Services saw only a 2% biennial reduction from the State which provided a much more stable operating environment. After expense reductions, each of the three units of the SWPS will have a modest operating deficit to be covered by fund balance. While we have assumed that Outdoor School funds will be expended (Table 7) it is quite possible much of those will be carried forward to the next year if K-12 schools are unable to offer those programs due to pandemic-related restrictions.

Corvallis Issues

Corvallis needed to reduce projected spending (including new initiatives) by about $37M in the projected budget to fit with revenue projections. Those reduction actions have been in place and in combination are estimated to require less fund balance use than originally planned (Table 7). There is room to use additional fund balance if projections come in somewhat worse than anticipated. The total cost of some of the COVID-19 monitoring measures (the TRACE project for example) are not yet fully known so some additional use of fund balance may be required.

SELF-SUPPORT FUNDS

Self-Support Funds (Table 4) 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.

The self-support funds are presenting the largest challenge for FY2021 with a gap between "normal" expenses and projected revenues of about $101M. While education and general funds are most dependent on enrollment and state support, most of the self-support operations depend on fees, sales of services, or media and ticket sales. The significantly decreased student and employee population on campus reduces those revenues dramatically. University Housing and Dining Services (UHDS) is operating at less than half of normal capacity, many food sites are not open, and so on. In addition, there is a large revenue loss at Athletics because of diminished Pac-12 media distributions, reduced NCAA distributions, lost ticket sales and lower gift revenues, even with the planned resumption of fall sports.

Self-Support Funds, in aggregate, are projecting a decline of $61M in revenue over FY2020 (where Q4 revenues were negatively impacted by the closure of campus) and a decline of $88M from FY2019 (which had a full year of normal operations).

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.

Athletics had made significant progress towards a balanced operating budget, despite significant challenges created by changes in federal tax law and challenges with season ticket sales for football. The loss of NCAA and Pac-12 revenues in spring created major challenges last year and the final revenue associated with a resumption of football in the fall remain uncertain.

Revenues

All of the major revenue streams for self-support operations are expected to be down dramatically when compared to FY2019. The mix of these revenue streams vary across self-support units (of which there are dozens of various sizes) but they have impacted Athletics, UHDS (at both Corvallis and Cascades), and units like Parking particularly hard. Relative to FY2019, revenues from fees are projected down 24%, from sales and service activities down 40%, and other revenues down 31%.

Expenditures

Units have been making expense reductions and both Personnel Services and Supplies and Services costs are projected to be down significantly (13% and 12% respectively) compared to FY2019. In total, units have reduced expenses relative to FY2019 by over $40M. However, one of the challenges for these units, particularly the large ones with physical assets, is that there are fixed costs. Despite the lower density on campus, enrollment remains strong so lots of students still want services or support. UHDS is operating at reduced capacity but in a much more complex operating environment, so personnel costs cannot be reduced past a certain point. Some units have long-term contractual commitments that can't be readily adjusted. Athletics and UHDS both have substantial facilities that have operating costs (utilities, insurance, etc.) and debt service obligations that have to be paid. The assessment has been that $40M to $45M in expense reductions is a likely upper limit without substantially damaging the long-term capabilities of the units.

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

The projected operating loss across all self-support units is $55.8M, leaving a negative unrestricted net asset position of ($36.2M).

Uncertainties, Issues, and Strategies

Many of the revenue streams for the self-support operations depend on enrollment but as classes have now started, less volatility is expected there. The two significant uncertainties now are how many students leave their housing contracts before the end of term (some loss is expected) and what the plan for Pac-12 competition is. The broadcast distributions for sporting events have a large impact on projected revenues.

It is important to remember that the operating deficit is a short-term issue as the overall operations of these units is strong and there is substantial demand for their services. The management strategy for FY2020 must (1) manage the cash flow for the units at risk and (2) establish a path to rebuild appropriate financial reserves.

Most of the self-support units have sufficient fund balance to offset the losses expected in their individual operations. This includes most of the service centers, designated operations, royalty funds, and auxiliary units including fee-funded student centers, student health services, parking and the miscellaneous auxiliaries. While there is only $19.6M in beginning fund balance in self-support units in total, there are reasonably positive fund balances in many units that are offset by the ($45M) deficit accumulated in Athletics. Those units with sufficient fund balances will use them to buffer any net operating deficits. These would cover about $7.4M of the projected operating deficit.

The balance of the operating deficits are in three units without significant positive net working capital reserves. These are housing and dining operations in Corvallis (about a $13.1M deficit), housing and dining operations in Bend (about a $1.8M deficit), and Athletics (about a $31.1M deficit). These operating deficits pose significant challenges for the units and will be addressed using several parallel strategies:

- Continue to explore all expense reduction actions that do not permanently damage the unit's ability to deliver its mission and resume largely normal operations in FY2022.
- Use any resources available externally which could include an additional federal stimulus package (which would most likely help address shortfalls in housing and dining operations) and loan opportunities backed by the Pac-12 which could assist Athletics (if the terms of such financing were appropriate).
- Use internal resources to provide loans to the self-support entity to manage cash requirements for the current fiscal year and provide repayment terms that allow the unit to repay the loan while also reestablishing a solid financial footing.

- Note that neither additional savings nor external resources are necessary to manage the cash flow needs as there is sufficient institutional fund balance to provide the necessary support (Table 1).

RESTRICTED FUNDS

Restricted Funds (Table 5) 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

Some growth (1.2%) is projected in restricted funds, driven largely by increased federal grant and contract expenditures from awards made in the current and previous year, which will be spent during FY2021 (including expenditures delayed in spring). Some decline is expected in gift expenditures but this may depend on trends in economic activity this year. Much of the gift spending will be from gifts already realized and the impact is not expected to be large. Because the state did not make large reductions, we expect revenues supported by state funds to return to historic trends.

Expenditures

Expenditure increases reflect the slightly increased grant revenue, with those revenues spent on personnel services and services and supplies. Transfers out from restricted funds are principally to plant funds for renovation and construction.

Uncertainties, Issues, and Strategies

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. The onset of a significant recession is likely to have an impact on rates of giving as well as return on existing endowments and is reflected in an assumption of reduced revenues from gifts. The impacts of both of those may be felt more in the next biennium than in this year. Restricted funds are limited by the availability and expenditures have consistently adjusted to both growth and decline in revenues. We are projecting similar trends this year and anticipate a typical ending balance of about 3% of revenues or $14.4M.

RECOMMENDATION

Staff recommend that the Finance & Administration Committee recommend to the Board that it approve the revised operating budget for FY2021 as presented in Tables 3 through 7.

Table 1: Summary of the proposed operating budget. A comparison of the preliminary and revised budgets are included in Table 2 and details of the operating budgets in Tables 3 through 7.

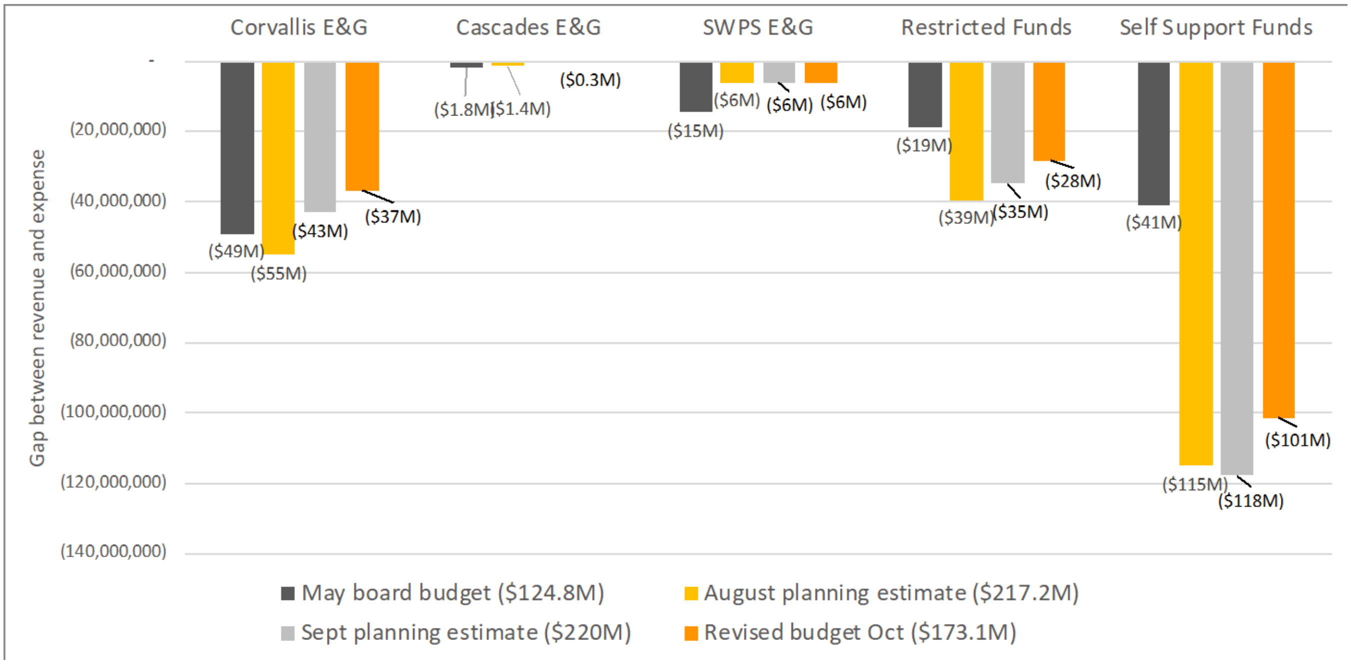
2020-21 Operating Budget	E&G	Self Support	Restricted	Total
	2021	2021	2021	2021
(in thousands except enrollment)	Budget	Budget	Budget	Budget
State General Fund	$240,804			$240,804
Federal Grants			$293,090	293,090
State Grants			21,590	21,590
Tuition & Resource Fees, net of Remissions	393,715			393,715
Enrollment Fees		*$29,904*		29,904
Sales & Services		98,943		98,943
Other	*95,571*	29,636	89,181	214,388
Total Revenues	730,090	158,483	403,861	1,292,434
Personnel Services	*(544,498)*	*(101,649)*	(141,351)	(787,498)
Supplies & Services & Capital Outlay	*(168,409)*	*(109,423)*	(258,239)	(536,071)
Total Expenditures	(712,907)	(211,072)	(399,590)	(1,323,569)
Net from Operations	17,183	(52,589)	4,271	(31,135)
Transfers In	*5,476*	*7,530*	70	*13,076*
Transfers Out	*(32,691)*	*(6,426)*	(3,000)	*(42,117)*
Fund Additions/(Deductions)	0	*(4,394)*	0	(4,394)
Change in Fund Balance	(10,032)	(55,879)	1,341	(64,570)
Beginning Unrestricted Net Assets	108,572	19,657	13,082	141,311
Ending Unrestricted Net Assets	$98,540	($36,222)	$14,423	$76,741
% Operating Revenues	13.5%	-22.9%	3.6%	5.9%

E&G - EDUCATION & GENERAL - Corvallis, Cascades, Statewide Public Services
SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments
RESTRICTED FUNDS - Grants, Contracts, Gifts

Table 2: Comparison of FY2020 Q4 actuals, the FY2021 preliminary budgets approved in May, and the revised FY2021 budget proposed here to illustrate the principal changes from May to October.

(in thousands)	FY2020 Q4 Final	FY2021 May	FY2021 October
EDUCATION & GENERAL (Corvallis, Cascades, Statewide Public Services)			
State General Fund	$237,104	$196,336	$240,804
Tuition & Resource Fees, net of Remissi	*395,126*	*404,425*	*393,715*
Other	*106,842*	*97,626*	*95,571*
Total Revenues	739,072	698,387	730,090
Personnel Services	*(551,933)*	*(527,100)*	*(544,498)*
Supplies & Services & Capital Outlay	*(153,182)*	*(153,700)*	*(168,409)*
Total Expenditures	(705,115)	(680,800)	(712,907)
Net from Operations	33,957	17,587	17,183
Transfers In	*14,901*	*5,476*	*5,476*
Transfers Out	*(29,681)*	*(34,254)*	*(32,691)*
Fund Additions/(Deductions)	0	0	0
Change in Fund Balance	19,177	(11,191)	(10,032)
SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments			
Enrollment Fees	*$39,608*	*$36,889*	*$29,904*
Sales & Services	138,692	143,773	98,943
Other	41,320	37,460	29,636
Total Revenues	219,620	218,122	158,483
Personnel Services	*(116,015)*	*(106,535)*	*(101,649)*
Supplies & Services & Capital Outlay	*(115,506)*	*(108,501)*	*(109,423)*
Total Expenditures	(231,521)	(215,036)	(211,072)
Net from Operations	(11,901)	3,086	(52,589)
Transfers In	*23,936*	*9,093*	*7,530*
Transfers Out	*(10,593)*	*(6,236)*	*(6,426)*
Additions/(Deductions) to Unrestricted	*(6,153)*	*(4,394)*	*(4,394)*
Change in Unrestricted Net Assets	(4,711)	1,549	(55,879)
RESTRICTED FUNDS			
Federal	$283,696	$293,648	$293,090
State	19,892	21,976	21,590
Other	95,292	97,784	89,181
Total Revenues	398,880	413,408	403,861
Personnel Services	(139,361)	(147,305)	(141,351)
Supplies & Services & Capital Outlay	(251,747)	(259,560)	(258,239)
Total Expenditures	(391,108)	(406,865)	(399,590)
Net from Operations	7,772	6,543	4,271
Transfers In	55	70	70
Transfers Out	(8,396)	(3,000)	(3,000)
Additions/(Deductions) to Restricted Ne	(81)	0	0
Change in Restricted Net Assets	(650)	3,613	1,341

Figure 1: Top: Summary of estimated gaps between normal FY2021 expenses and projected FY2021 revenues by fund for original May board budget, August and September budget updates, and the proposed revised budget. Bottom: Summary of budget management strategies to close those gaps.



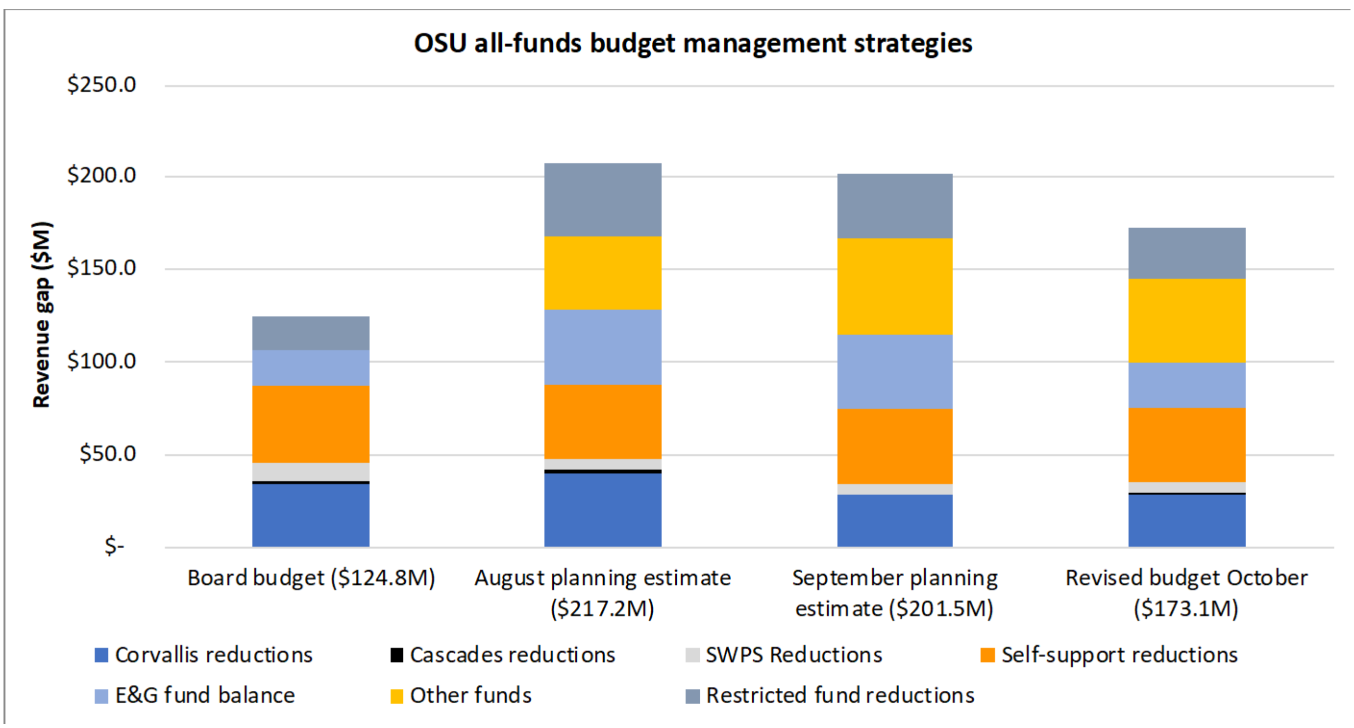


Table 3: Education and General Funds Revenues and Expenditures projected for FY2021

EDUCATION & GENERAL (Corvallis, Cascades, Statewide Public Services)							
	2018	2019	Q4 2020	2021	2018-19	2019-20	2020-21
(in thousands except enrollment)	Actual	Actual	Actual	Budget	% Chg.	% Chg.	% Chg.
State General Fund	$199,262	$212,449	$237,104	$240,804	7%	12%	1.6%
Tuition & Resource Fees, net of Remissions	367,279	379,028	*395,126*	*393,715*	3%	4%	-0.4%
Other	100,404	101,693	*106,842*	*95,571*	1%	5%	-10.5%
Total Revenues	666,945	693,170	739,072	730,090	4%	7%	-1.2%
Personnel Services	(503,433)	*(525,225)*	*(551,933)*	*(544,498)*	4%	5%	-1.3%
Supplies & Services & Capital Outlay	(138,982)	*(156,339)*	*(153,182)*	*(168,409)*	12%	-2%	9.9%
Total Expenditures	(642,415)	(681,564)	(705,115)	(712,907)	6%	3%	1.1%
Net from Operations	24,530	11,606	33,957	17,183			
Transfers In	3,339	*10,013*	*14,901*	*5,476*	200%	49%	-63.3%
Transfers Out	(24,466)	*(30,157)*	*(29,681)*	*(32,691)*	23%	-2%	10.1%
Fund Additions/(Deductions)	0	0	0	0			
Change in Fund Balance	3,403	(8,538)	19,177	(10,032)			
Beginning Unrestricted Net Assets	94,530	97,933	89,395	108,572			
Ending Unrestricted Net Assets	$97,933	$89,395	$108,572	$98,540	-9%	21%	-9.2%
% Operating Revenues	14.7%	12.9%	14.7%	13.5%			

Table 4: Self-support Funds Revenues and Expenditures projected for FY2021.

SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments							
(in thousands)	2018 Actual	2019 Actual	Q4 2020 Actual	2021 Budget	2018-19 % Chg.	2019-20 % Chg.	2020-21 % Chg.
Enrollment Fees	$39,093	*$39,230*	*$39,608*	*$29,904*	0%	1%	-25%
Sales & Services	161,623	164,766	138,692	98,943	2%	-16%	-29%
Other	39,662	42,927	41,320	29,636	8%	-4%	-28%
Total Revenues	240,378	246,923	219,620	158,483	3%	-11%	-28%
Personnel Services	(117,183)	*(116,924)*	*(116,015)*	*(101,649)*	0%	-1%	-12%
Supplies & Services & Capital Outlay	(121,206)	*(124,022)*	*(115,506)*	*(109,423)*	2%	-7%	-5%
Total Expenditures	(238,389)	(240,946)	(231,521)	(211,072)	1%	-4%	-9%
Net from Operations	1,989	5,977	(11,901)	(52,589)			
Transfers In	11,169	*12,074*	*23,936*	*7,530*	8%	98%	-69%
Transfers Out	(13,509)	*(22,159)*	*(10,593)*	*(6,426)*	64%	-52%	-39%
Additions/(Deductions) to Unrestricted Net Assets	(6,648)	*(6,896)*	*(6,153)*	*(4,394)*			
Change in Unrestricted Net Assets	(6,999)	(11,004)	(4,711)	(55,879)			
Beginning Unrestricted Net Assets	42,371	35,372	24,368	19,657			
Ending Unrestricted Net Assets	$35,372	$24,368	$19,657	($36,222)	-31%	-19%	-284%
% Operating Revenues	14.7%	9.9%	9.0%	-22.9%			

Table 5: Restricted Funds Revenues and Expenditures projected for FY2021.

RESTRICTED FUNDS (in thousands)	2018 Actual	2019 Actual	Q4 2020 Actual	2021 Budget	2018-19 % Chg.	2019-20 % Chg.	2020-21 % Chg.
Federal	$240,697	$248,123	$283,696	$293,090	3%	14%	3.3%
State	17,638	20,139	19,892	21,590	14%	-1%	8.5%
Other	93,993	97,158	95,292	89,181	3%	-2%	-6.4%
Total Revenues	352,328	365,420	398,880	403,861	4%	9%	1.2%
Personnel Services	(134,789)	(134,831)	(139,361)	(141,351)	0%	3%	1.4%
Supplies & Services & Capital Outlay	(215,222)	(222,042)	(251,747)	(258,239)	3%	13%	2.6%
Total Expenditures	(350,011)	(356,873)	(391,108)	(399,590)	2%	10%	2%
Net from Operations	2,317	8,547	7,772	4,271			
Transfers In	323	*384*	55	70	19%		27%
Transfers Out	(1,276)	*(5,915)*	(8,396)	(3,000)	364%	42%	-64%
Additions/(Deductions) to Restricted Net Assets	0	0	(81)	0			
Change in Restricted Net Assets	1,364	3,016	(650)	1,341			
Beginning Restricted Net Assets	9,352	10,716	13,732	13,082			
Ending Restricted Net Assets	$10,716	$13,732	$13,082	$14,423	28%	-5%	10%
% Operating Revenues	3.0%	3.8%	3.3%	3.6%			

Table 6: Summary of budgeted inter-fund transfers for FY2021.

OREGON STATE UNIVERSITY - Budgeted Transfers
Fiscal Year 2021

Education & General

Transfers In		Transfers Out	
From Self Support		To Self Support	
Royalties (Trademark fund)	2,132,000	Athletics	6,437,593
Auxiliaries	270,000	Service Centers support	581,935
Service Centers (Insurance Claims)	300,000	Service Center - Telecom	30,000
From Grants (Jefferson Bldg)	125,000	Designated Operations support	274,684
Termination of Plant Funds	2,649,243	Various Auxiliaries	100,000
Total Transfers In	5,476,243	To Grants (Restricted)	70,000
		To Plant	25,000,000
		SWPS - AES to Plant	91,000
		SWPS - EXT to Des Ops	106,230
		Total Transfers Out	32,691,442

Self Support

Transfers In		Transfers Out	
From Education & General - Athletics	6,437,593	To Education & General from Royalties (Trademark)	2,132,000
From Education & General - Service Centers	581,935	To Education & General from Athletics	270,000
From Education & General - Designated Operations	274,684	To Education & General from Service Centers	300,000
From Education & General - various Auxiliaries	100,000	To Plant	3,724,315
From Education & General - Telecom	30,000	Total Transfers Out	6,426,315
From SWPS - EXT - Des Ops	106,230		
Total Transfers In	7,530,442		

Restricted Funds

Transfers In		Transfers Out	
From Education & General	70,000	To Education & General - grant for Jefferson Building	125,000
Total Transfers In	70,000	To Plant	2,875,000
		Total Transfers Out	3,000,000

Table 7: Detail for Education and General Fund Operations Projected for FY2021.

E&G Projections	E&G-Corvallis	E&G-Cascades	AES	EXT	FRL	OS	Adj	Total
State Appropriation	$ 143,955,693	$ 8,053,287	$ 36,500,407	$ 26,831,280	$ 5,473,366	$ 19,990,060		$ 240,804,093
Net Tuition & Resource Fees	383,415,462	10,299,997	-	-	-	-		393,715,459
Other Revenue	67,911,331	369,142	5,930,967	17,715,916	3,643,680			95,571,036
	595,282,486	18,722,426	42,431,374	44,547,196	9,117,047	19,990,060		730,090,588
Personal Services	448,043,832	15,338,805	33,675,772	38,322,666	8,003,383	1,113,551		544,498,009
Supplies & Services	141,795,437	4,102,683	10,001,159	7,890,990	1,967,498	18,876,509		184,634,275
Capital Outlay	6,614,324	18,990	633,133	93,161	33,357			7,392,965
Student Aid	1,675,339	-	-	-	-			1,675,339
Internal Sales	(24,385,203)	(4,889)	(700,948)	(146,800)	(55,766)			(25,293,606)
	573,743,729	19,455,589	43,609,116	46,160,017	9,948,472	19,990,060		712,906,982
Net Operating Gain (Loss)	21,538,757	(733,163)	(1,177,742)	(1,612,821)	(831,425)	-		17,183,606
Transfers In	5,327,000	433,243	-	700,000	250,000	-	(1,234,000)	5,476,243
Transfers Out	(33,728,212)		(91,000)	(106,230)	-	-	1,234,000	(32,691,442)
Change in Fund Balance	(6,862,455)	(299,920)	(1,268,742)	(1,019,051)	(581,425)	-		(10,031,593)
Beg Est Fund Balance-FY2020 4th Qtr Est	77,583,980	1,608,734	7,498,358	5,026,347	3,554,745	13,299,864		108,572,028
FY2021 Estimated Ending Fund Balance	$ 70,721,525	$ 1,308,814	$ 6,229,616	$ 4,007,296	$ 2,973,320	$ 13,299,864		$ 98,540,435
	11.9%	*7.0%*	*14.7%*	*9.0%*	*32.6%*	*66.5%*		*13.5%*

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.