FY2021 Operating Budget

BACKGROUND

The Board 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 current circumstances make any budget proposal extremely uncertain. The state's revenue forecast on May 20 will provide more clarity on any potential mid-biennium budget cut, and enrollment for fall may not stabilize until September as students and families feel more confidence about the experience they will have in the fall.

SUMMARY OF PRELIMINARY FY2021 OPERATING BUDGET

Given state funding and enrollment uncertainty, the university has been planning for several financial scenarios for the next year. Two basic scenarios were considered. The first assumes that modified campus operations—a hybrid of face to face, remote, and online—will resume in the fall and the second that in-person operations on campus will not be significantly underway until January 2021. In each scenario, there are three cases with different assumptions about state funding, enrollment and other revenue changes.

Summary of Scenarios and Cases		
	Scenario 1: Rapid and effective control—remote teaching for summer with some on-site activity restarting in summer and modified return by fall.	**Scenario 2:** Executive orders in effect through summer with expected recurrence of COVID-19 in fall; partial return to on-site activities for fall with gradual return through academic year.
Case 1	*Drivers relative to scenario 1, case 2*: Better state funding (down 10% versus 18%); better sales and services revenues (down 10% versus 20%); no drop in resident undergraduate tuition; 8-10% losses in international student tuition; better summer tuition (3% versus 5% down); less Ecampus tuition (3% gain). **Gap: $29M ($77M all funds)**	*Drivers relative to scenario 1, case 2*: Better state funding (down 10%); lower returns on interest; better sales and services revenues (down 5% versus 20%); greater losses in fees (down 15%); greater loss in resident and non-resident undergraduate domestic tuition; greater losses in international tuition. **Gap: $44M ($121M all funds)**
Case 2	*Drivers:* 18% drop in state funding; 20% drop in sales and services revenues; 8% drop in interest earnings; 13% drop in other revenues; 3% drop in resident undergraduate tuition; 10-15% drop in international student tuition depending on source and level; 5% drop in summer tuition; 6% gain in Ecampus tuition. **Gap: $49M ($124M all funds)**	*Drivers relative to scenario 1, case 2*: 15% drop in state funding; mid-range losses on interest and sales/services; serious loss of fees (20%); greater loss in resident (down 10%) and non-resident undergraduate domestic tuition (down 15%); greater losses in international tuition (down 15-35%). **Gap: $69M ($170M all funds)**
Case 3	*Drivers relative to scenario 1, case 2: Greater loss in* state funding (down 20% versus 18%); interest earnings down 15% versus 8%; greater losses of fees;	*Drivers relative to scenario 1, case 2:* Greater loss in state funding (20%); greater losses in interest (20%); better sales and services revenue (down 15%); significant

	international student tuition down 20-30%; summer tuition earnings down 15%. **Gap: $61M ($158M all funds)**	loss of fee revenue (25%); resident tuition down 12%; nonresident domestic tuition down 20%; international tuition down 20-50%; summer tuition down 15%. **Gap: $77M ($213M all funds)**

Current information on reopening plans, state funding and enrollment trends suggests that scenario 1, case 2 (shown in Table 1) is a reasonable target for planning budgets for 2020-21. The budgets proposed here are based on that case. Staff will bring an updated budget to the Board at a future meeting as more is known on enrollments and changes in state funding.

For the fiscal year July 1, 2020, through June 30, 2021, the university proposes an operating budget (Figure 2 and Tables 2 through 6) with three principal components totaling $1.330B in revenues and $1.336B in expenditures, net transfers, and fund deductions (for background, an explanation of fund accounting used by the university is provided in Appendix A). Details:

- 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 at $698.4M, with projected expenditures of ($680.8M) and net transfers out of ($28.8M). The projected fund balance change is minus $11.19M with an ending fund balance of $78.3M or 11.2% of revenues.

- Self-Support Funds include Auxiliaries (Athletics, Housing & Dining, Student Centers, etc.), Service Centers, Designated Operations, and Royalties. The self-support revenue budget is projected at $218.1M, with projected expenditures of ($215.0M) and net transfers of $2.9M. There are also ($4.4M) in other deductions to unrestricted net assets. Unrestricted net assets are projected to decrease by $1.0M, for ending unrestricted net assets of $0.6M. There were significant losses of unrestricted net assets in FY2020 as a consequence of the spring term coronavirus disruption.

- 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 since expenditures are limited by revenue. FY2021 Restricted Funds revenues are projected to be $413.4M, expenditures ($406.9M), and net transfers ($2.9M).

As noted above, there are likely to be significant revisions to these budget projections as the university learns more about enrollment trends and state funding decisions.

BUDGET CONTEXT

OSU's operating budget provides a plan to develop and distribute resources for the faculty, staff, and leadership to deliver the university's mission and pursue the actions outlined in Strategic Plan 4.0. OSU's vision is to be a leader among land grant universities in the "integrated creation, sharing and application of knowledge for the betterment of humankind." The plan has a focus on building four areas of strength (Innovation in Education, Inclusion, and Collaboration; Revolutionary Earth Systems Science; Leading in Health and Wellness, and Advancing Economic Prosperity and Social Progress) with four goals that pursue:

- 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 2021 may turn out to be one of the most challenging budget years in the university's history. There is the prospect of significant and sudden reduction in state funding, enrollment declines that may not be apparent until fall, and high uncertainty and stress for students, faculty and staff. Despite that, the strategic priorities of the university remain sound and actions to advance SP4.0 are continuing. Some actions may need to be slowed or refocused.

The budget proposed here is based on variations of two scenarios. The first assumes effective control of the contagion with remote teaching for summer, some on-site activity (prior to and during summer), and return by fall with modified course delivery and operations. The second scenario assumes that Governor Kate Brown's executive orders remain in effect through summer with a recurrence of coronavirus cases in fall, permitting only partial return for fall and a gradual return through the academic year. In each scenario there are three financial cases assuming different reductions in state funding, changes in enrollment (declines in international and non-resident students, small increases in Ecampus, and so on), and associated changes in other revenues.

The budget cases were developed in reference to what pre-COVID projections would have looked like. Pre-COVID projections predicted a decline of 3% in resident undergraduates at Corvallis, 1.5% decline in non-resident undergraduates, flat graduate enrollment, increases of 6% in Ecampus, 4% enrollment growth at OSU-Cascades, state funding up 4%, and other revenues up 2% to 3%. Self-support and restricted fund revenues were modeled at historical trends.

The post-COVID financial cases were then built assuming percentage changes in the major revenue categories with an assessment of the relationships between the various cases (Figure 1). For example, large declines in non-resident enrollment were modeled in anticipation that the fear of being far from home may reduce non-resident on-campus student enrollment. However, in that situation, Ecampus enrollments might grow more robustly as those students (and students attending other universities) are drawn to high quality online alternatives. Revenues linked to overall enrollment and employee presence on campus such as that from housing and dining, campus services, fee-funded units, or parking were adjusted along with assumed changes in enrollment.

Expense estimates in each case were initially based on projections of continuing service level costs with some additional investments and costs (including increased property insurance, debt service, accounts receivable that cannot be recovered, and required reserves for employees' paid leave balances). These expense projections were, of course, higher than the projected revenues but identified what adjustments would be necessary in each case.

The gap between that expense projection and the projected revenues across all funds ranged from $77M to $213M, with gaps in Corvallis E&G operations of $30M to $77M. The gap under the proposed budget (defined by scenario 1, case 2) is $48M.

Actions to manage the gaps include:

- Reduce capital renewal and other one-time central commitments.
- Reduce services and supplies spending across the university. Units are currently providing expense reduction plans to identify areas of potential savings.
- Reduce personnel costs through position vacancies and delayed hiring. The expense reduction plans being developed by units will also identify these types of savings.
- Implement a university-wide temporary salary or FTE reduction program, along with some targeted leave-without-pay in lieu of lay-off options for some groups of employees. The specific mechanisms for this are under discussion and will vary depending on circumstances. The amount of savings required from this action will depend in large part on the size of the revenue shortfall in September.
- Strategic use of fund balance. This is consistent with one of the strategies that emerged from the Ten-Year 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.

The contribution of each of those actions will depend on the size of the problem and the actions individual units are able to take. The revenue shortfalls will be different for different units. For example, large cuts in state funding affect the Statewide Public Services (SWPS) more than Corvallis E&G, shortfalls in enrollment affect Corvallis and OSU-Cascades more but also have severe impact on Housing and Dining, and so on. The goal is to keep each part of the university as intact as possible, with as many staff employed as practicable, so that we are well positioned to move forward as the crisis wanes. This will require actions and flexibility the university has not typically used before to manage across different kinds of funds.

The revenue cases reflect assumptions about changes in revenue pools more than they are predictions, as there is insufficient information to constrain many of the variables. Returning to modified on-site operations in fall is currently a likely scenario and case 2 in that scenario seems a reasonable planning budget. Therefore, the proposed budget is based on case 2 in the first scenario. The major assumptions in that budget are summarized in Table 1. Units provided estimates of revenues for FY2021 that were used in developing the budgets for all funds.

The expense budgets in Tables 2 through 4 assumed proportional reductions in personnel and services and supplies spending to balance expenses with projected revenue. Most of the proposed budgets assumed modest use of fund balance. As unit plans evolve, there may be opportunities to reduce or defer transfers out or revise plans to use fund balances.

The budget plan proposed here balances the needs to support and maintain the staff, faculty, and facilities that have been developed in pursuit of the university’s strategic goals; meet mandated increases in retirement benefits, health benefits, and institutional insurance; and continue to advance to the extent practicable the actions in SP4.0. We expect more certainty on state budgets in late May and early June. Enrollment forecasts will likely change continually through the summer and into September.

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 SWPS. Decreasing enrollment, particularly for international and non-resident students, and the expected cut in state support for FY2021, will require reductions in projected expenses at Corvallis, OSU-Cascades, and in the SWPS, along with slowed rates of program development at OSU-Cascades.

Strategic Intent

The two priorities for FY2021 are to maintain essential programs and employees to the greatest extent practicable 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 in E&G funds is projected to decline 4.7% or $33.7M ($15.7M at Corvallis and Cascades, $11M in the SWPS, and $7M for Outdoor School). This assumes an 8.5% biennial state funding cut which is a 16-18% reduction year over year depending on the unit (since the entire cut is taken in the second year of the biennium). The impact of this reduction is most severe for the SWPS, which have no tuition revenues, and is greater for Cascades than Corvallis since state funding is a larger proportion of the budget in Bend. The projections for tuition revenue include adjustments summarized in Table 1.

The state funding reductions will not be clear until after the economic forecast in May and the governor makes across-the-board reductions or a special session of the legislature is convened in early June or over the summer. It is possible that some line item programs could see disproportionate reductions and elimination. These include Outdoor School (which is funded from Lottery revenues and are largely pass-through funds) and state programs at OSU including the Engineering Technology Sustaining Funds (approximately $7M annually), Oregon Climate Change Research Institute, Institute for Natural Resources, Ocean Vessels Research, Signature Research Centers, Fermentation Science, OSU Marine Energy Center, and the OSU-UO TallWood Design Institute.

Expenditures and Net Transfers

Expenditures in E&G funds are projected to decline about 3.5% in personnel and services and supplies spending, to adjust to declining revenues. However, the pressure on individual units to reduce expenses is higher than that, as the 3.5% decline is to adjust for actual lower revenues. There are also inflationary costs on current services of about 3.2%, as well as mandated increases in some costs like insurance, utilities, and contractual increase.

If the available revenues are compared to projected expenses (accounting for both inflation and necessary increases), overall E&G spending will have to be decreased about 7.7% in Corvallis, by about 9.5% at OSU-Cascades, and by about 14.1% in the SWPS (as state funding is over 70% of the budget for those units) to match the projected revenues. These reductions will be extremely challenging and will require more unit level changes and university-wide strategies.

Net transfers are currently projected to increase somewhat, based on plans for capital renewal and replacement projects, but these will likely be revised downwards as units review their spending plans for FY2021.

Specific unit level budgets have not yet been assigned. Unit leaders are working on spending reduction plans to identify the savings that can be made in services and supplies and personnel costs. Those will be aggregated to understand possible savings at the unit level and to inform university-wide planning for any salary reduction action that may be necessary, along with reductions to other central commitments.

Uncertainties, Issues, and Opportunities

The proposed operating budget is an estimate of the resources and investments for the next fiscal year. The projections are highly uncertain. Each of the three major operating parts of the E&G budget faces challenges in the next year.

The state is facing a major reduction in revenues as state general fund revenues are dependent on income taxes. Oregon's May economic forecast will be substantially lower. State agencies have been asked to plan for an 8.5% reduction in biennial budgets, which is what is assumed in the proposed budget. The level of reduction will not be known until the governor acts or the completion of one or more special legislative sessions in June or over the summer.

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 is slowing. 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. The national political climate has created uncertainty for some international students considering studying in the U.S and there are more alternatives for students now in other countries. 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 COVID-19 pandemic is layered on top of these trends. Students may be thinking about staying closer to home, reducing non-resident enrollments but potentially improving resident student and online enrollments. International students have concerns about health, safety and the ability to get appropriate immigration documents. All students and families have faced increased economic hardship, in some cases devastating hardships. There is uncertainty about what a campus experience will be like in the fall, from instruction to football games to dormitory life. These factors make using historical trends in enrollment activity of less use in projecting enrollment for the fall. Students will likely consider circumstances and may wait to make decisions right up to the beginning of fall classes.

The federal funding environment remains volatile and impacts research funding, financial aid funding, and the costs of compliance with expanding federal mandates. Federal funding most directly impacts the Facilities and Administrative (F&A) costs paid by grant funds and the formula funds that support the three SWPS units. 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.

OSU-Cascades Issues

OSU-Cascades faces the same enrollment environment 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 enrollment is even greater.

OSU-Cascades is more dependent on state funding than Corvallis (42% vs. 23%) so a large reduction in state funding will have a larger relative impact in Bend.

Statewide Public Services (SWPS) Issues

The Statewide Public Services are facing a particularly challenging year. State funding makes up over 70% of the SWPS total budget so the impact of reductions is much larger 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. This makes managing reductions across those different funds more difficult for those unit leaders. The SWPS units also have highly engaged stakeholders in every aspect of their programs who will expect communication and consultation as changes proceed. The degree of program and personnel changes depend nearly entirely on the final level of state funding.

Corvallis Issues

Corvallis needs to reduce projected spending (including new initiatives) by about $49M in the projected budget to fit with revenue projections that include a sharp reduction of budgets from the state, very small aggregate tuition increases, projected enrollment declines, and erosion of sales revenues associated with auxiliary activities. The principal strategies for approaching those reductions were discussed above.

We anticipate that there will be a reduction in state funding. The principal question is how large that reduction will be. There is also significant uncertainty in enrollment, particularly undergraduate enrollment, and particularly non-resident and international enrollment. Some of the important OSU benchmarks will be deposits at September 1, opening of registration for fall quarter, participation in START sessions (whether remote or in person) during the summer, registration trends during summer, and enrollment at the start of September orientation. In parallel to these, there will be guidelines and requirements from state and local health officials that will affect the university's planning and the decisions that students make about enrollment.

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 a decline of $28.8M in revenue from FY2019, though a gain of $6.8M over FY2020 (where Q4 revenues were negatively impacted by the closure of campus). The impact of the closure and remote instruction in spring term were particularly severe for self-support operations. University Housing and Dining Services had declines in revenue of nearly 90%, athletics suspended competitions (including the men's NCAA tournament), and various self-support operations that depend on students and employees (parking, printing and mailing, etc.) saw significant declines in revenue.

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 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 has made significant progress toward a balanced operating budget, despite significant challenges created by changes in federal tax law and sluggish season ticket sales for football. The loss of NCAA and Pac-12 revenues in spring have created major challenges for this year and the uncertainty in football operations for 2020-21 remains a major concern.

Revenues

Fee-based revenues are expected to be down somewhat because of decreased enrollment but Sales and Service income is projected to increase over the current year as in-person operations resume on the Corvallis and Bend campuses. Overall revenues are expected to increase about 3% though will still significantly lag historical rates.

Expenditures

Both Personnel Services and Supplies and Services costs are projected to be down significantly (9% and 6% respectively) as units adjust staffing and services to decreased enrollment and lower client volumes (from social distancing requirements and decreased participation in events).

Transfers out are down significantly 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 in fall term.

Athletics' projection depends significantly on the plans for football season in the coming year. Restrictions on player and fan participation, as well as schedule, remain uncertain.

RESTRICTED FUNDS

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

Strategic Intent

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

Successful competition for federal research awards requires suitable facilities, instruments, and support operations. The E&G investments in a capital renewal fund will directly impact the quality of research (and other) facilities and support long-term success in attracting research funding. OSU's faculty 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 year as part of managing the overall revenue shortfalls.

Revenues

Some growth (3.8%) is projected in restricted funds, driven largely by increased federal grant and contract expenditures from awards made in the current and previous year (including funding for a third research vessel), which will be spent during FY2021 (including expenditures delayed in spring). Some decline is expected in gift expenditures and funding from state agencies and other state sources.

Expenditures

Expenditure increases reflect the slightly increased grant revenue, with those revenues spent on personnel services and services and supplies as well as expenditures in support of ship construction. 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. 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.

RECOMMENDATION

Staff recommend that the Finance & Administration Committee recommend to the Board approval of the preliminary operating budget for FY2021 as presented in Tables 2 through 6.

Table 1: Comparison of FY2020 projected expenditures (at Q3 estimates), FY2021 revenue budgets expected before any impact of the pandemic and the proposed FY2021 planning budget taking into account Scenario 1, Case 2 for the impact of the pandemic on FY2021 operations. This scenario assumes rapid and effective controls for COVID-19 in place, remote teaching for summer with some on-site activity (prior and during summer) and full return in fall. Changes in boxes are to pre-COVID projections which had Corvallis down by 1% to 3% in undergraduates, flat graduates, Ecampus up by 7%, Cascades and state funding up by 4%, and others up by 2% to 3%.

Total across funds given assumptions:		**1,457,348,898**		**1,329,917,399**	**(138,700,656)**
	FY20 Q3 Projection	FY21 Original Projection before Covid	Additional Changes for Covid Case	FY21 projection with Covid reductions	Estimated gap to expense projections
Education and General Funds--Corvallis					
State funding	138,727,794	144,409,627	-18.0%	118,415,894	
F&A Recovery	42,105,600	42,947,712	-3.0%	41,659,281	
Interest	8,500,000	9,000,000	-8.0%	8,280,000	
Sales and services	17,974,001	20,841,000	-20.0%	16,771,000	
Other	3,359,620	3,650,000	-13.0%	3,166,000	
SELP	1,072,584	1,072,584	0.0%	1,072,584	
Resident undergraduate tuition	112,768,125	110,198,920	-3.0%	106,892,952	
Non-resident undergraduate tuition	119,996,180	121,406,674	-7.1%	112,735,809	
Graduate and professional tuition	60,505,810	62,022,139	0.3%	62,210,238	
Ecampus tuition	117,424,093	130,578,599	6.0%	138,413,315	
Other tuition and fees	20,883,701	19,774,900	-5.6%	18,659,899	
Tuition waivers	(45,740,106)	(44,989,312)	0.0%	(44,989,312)	
Total	**597,577,402**	**620,912,843**		**583,287,660**	**(48,894,340)**
Education and General Funds--Cascades	Q3 Projection	FY21 Original	Added change	FY21 Budget	
Net tuition and fees	10,234,496	10,508,085	-3.0%	10,192,842	
State funding	7,830,405	8,053,287	-18.1%	6,595,642	
Other funds	600,943	535,735	-6.0%	503,444	
Total	**18,665,844**	**19,097,107**		**17,291,929**	**(1,805,178)**
Education and General Funds--SWPS				FY21 Budget	
State Appropriation--FRL, AES, EXT	$ 70,369,048	$ 73,241,254	-16.7%	61,009,965	
State-Outdoor School	$ 16,319,166	$ 23,105,983	-60.0%	9,242,393	
Other appropriations and funds	$ 29,521,953	$ 29,888,187	-7.8%	27,555,362	
Total	**116,210,167**	**126,235,424**		**97,807,720**	**(28,427,704)**
				(28,427,704)	
Restricted Funds	Q3 Projections	FY 21 Original	Added change	FY21 Budget	
Federal funds	282,925,320	302,730,093	-3.0%	293,648,190	
State revenue	22,030,610	23,132,140	-5.0%	21,975,533	
Other revenue	102,198,771	106,286,722	-8.0%	97,783,784	
Total	**407,154,701**	**432,148,955**		**413,407,507**	**(18,741,448)**
				(18,741,448)	
				-4.3%	
Self Support Funds	Q2 Projection	FY 21 Original	Added change	FY21 Budget	
Athletics	60,603,058	62,542,356	-15.2%	53,023,203	
Housing and Dining	61,100,000	63,055,200	-24.9%	47,327,714	
Other	129,221,912	133,357,013	-11.7%	117,771,666	
Total	**250,924,970**	**258,954,569**		**218,122,583**	**(40,831,986)**

Figure 1: Summary of budget scenarios considered in budget and contingency planning. Each begins from a projection of FY2021 revenues without the impact of the coronavirus pandemic (second bar from left) and then assumes various impacts on major revenue streams in the major fund types such as state appropriations, resident undergraduate tuition, non-resident undergraduate tuition, sales and service revenues, and so on. The proposed budget is based on Scenario 1, Case 2 (fourth bar from left), for which details are shown in Table 1.

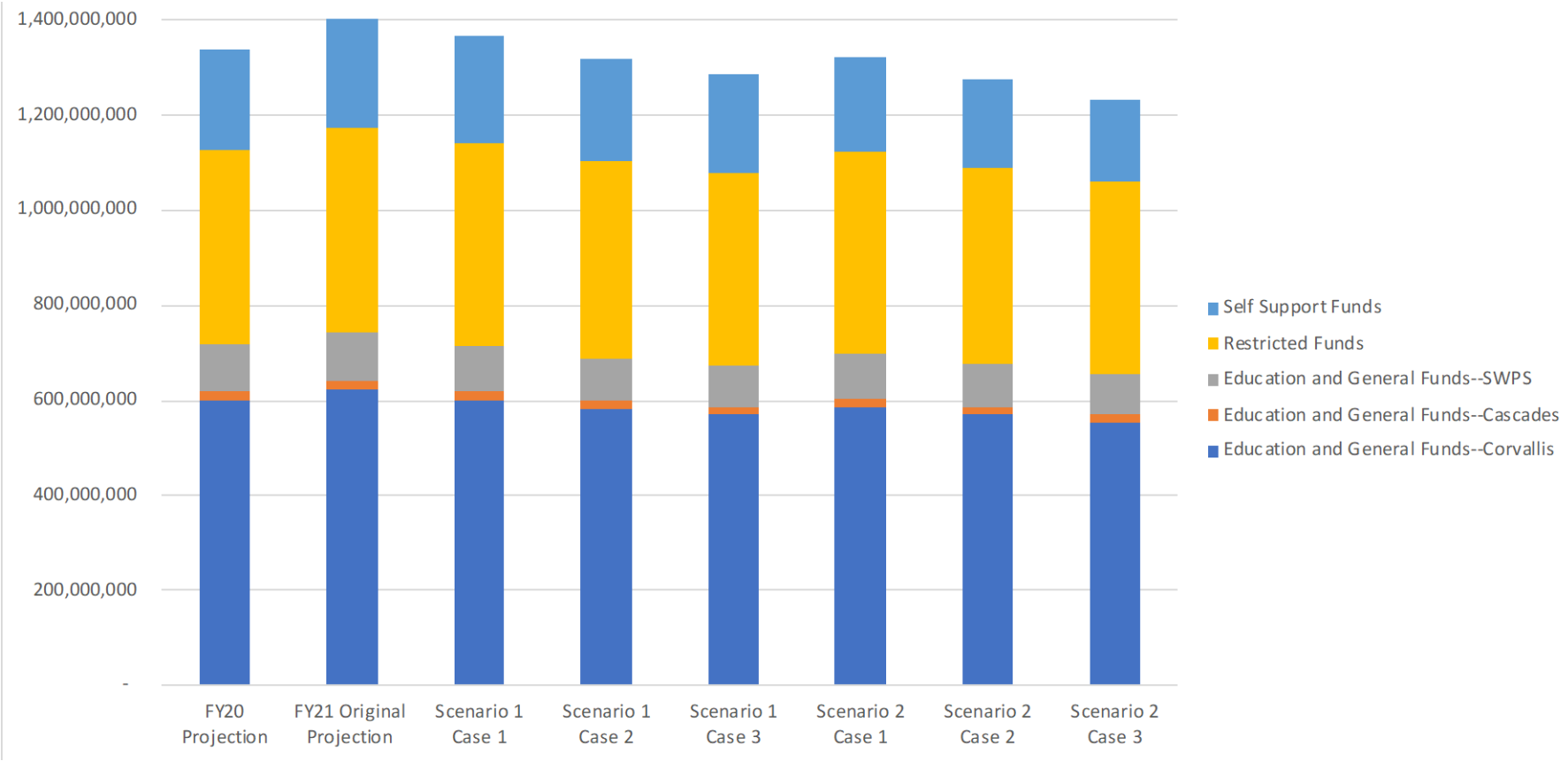

Figure 2: Summary of proposed FY2021 operating budget for Oregon State University for the assumptions in Scenario 1, Case 2 (all funds in $1,000s).

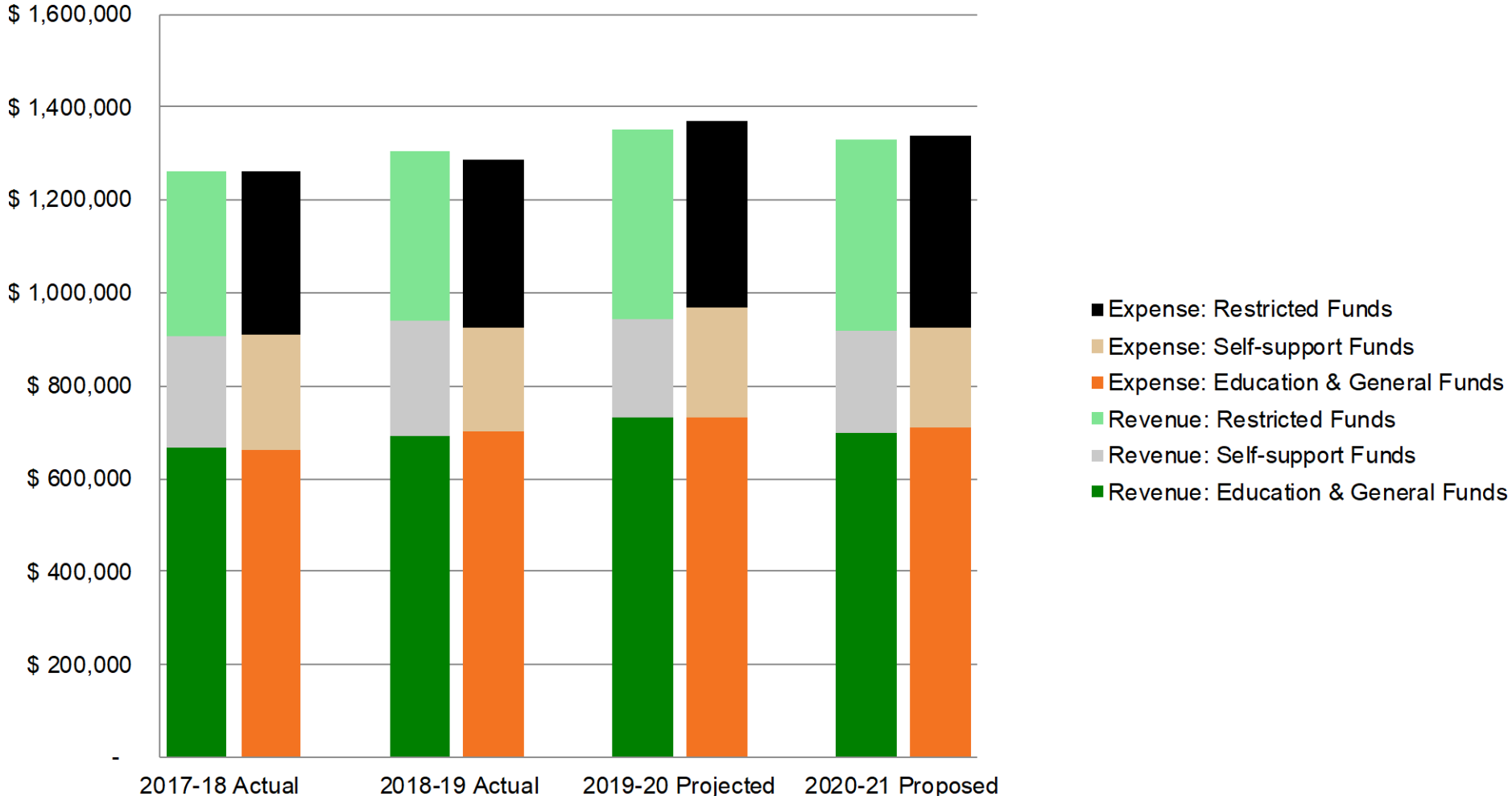

Table 2: Education and General Funds Revenues and Expenditures projected for FY2021

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

(in thousands except enrollment)	2018 Actual	2019 Actual	Q3 2020 Projection	2021 Budget	2018-19 % Chg.	2019-20 % Chg.	2020-21 % Chg.
State General Fund	$199,262	$212,449	$234,319	$196,336	7%	10%	-16%
Tuition & Resource Fees, net of Remissions	367,279	379,028	396,329	404,425	3%	5%	2%
Other	100,404	101,693	101,806	97,626	1%	0%	-4%
Total Revenues	**666,945**	**693,170**	**732,454**	**698,387**	**4%**	**6%**	**-5%**
Personnel Services	(503,433)	(525,225)	(547,026)	(527,100)	4%	4%	-4%
Supplies & Services & Capital Outlay	(138,982)	(156,339)	(159,086)	(153,700)	12%	2%	-3%
Total Expenditures	**(642,415)**	**(681,564)**	**(706,112)**	**(680,800)**	**6%**	**4%**	**-4%**
Net from Operations	24,530	11,606	26,342	17,587			
Transfers In	3,339	10,013	6,644	5,476	200%	-34%	-18%
Transfers Out	(24,466)	(30,157)	(32,909)	(34,254)	23%	9%	4%
Fund Additions/(Deductions)	0	0	0	0			
Change in Fund Balance	3,403	(8,538)	77	(11,191)			
Beginning Unrestricted Net Assets	**94,530**	**97,933**	**89,395**	**89,472**			
Ending Unrestricted Net Assets	**$97,933**	**$89,395**	**$89,472**	**$78,281**	**-9%**	**0%**	**-13%**
% Operating Revenues	14.7%	12.9%	12.2%	11.2%			

Table 3: Self-support Funds Revenues and Expenditures projected for FY2021.

SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments

(in thousands)	2018 Actual	2019 Actual	Q3 2020 Projection	2021 Budget	2018-19 % Chg.	2019-20 % Chg.	2020-21 % Chg.
Enrollment Fees	$39,093	$39,230	$39,279	$36,889	0%	0%	-6%
Sales & Services	161,623	164,766	134,787	143,773	2%	-18%	7%
Other	39,662	42,927	37,275	37,460	8%	-13%	0%
Total Revenues	**240,378**	**246,923**	**211,341**	**218,122**	**3%**	**-14%**	**3%**
Personnel Services	(117,183)	(116,924)	(117,023)	(106,535)	0%	0%	-9%
Supplies & Services & Capital Outlay	(121,206)	(124,022)	(115,827)	(108,501)	2%	-7%	-6%
Total Expenditures	**(238,389)**	**(240,946)**	**(232,850)**	**(215,036)**	**1%**	**-3%**	**-8%**
Net from Operations	1,989	5,977	(21,509)	3,086			
Transfers In	11,169	12,023	10,896	9,093	8%	-9%	-17%
Transfers Out	(13,509)	(22,108)	(9,938)	(6,236)	64%	-55%	-37%
Additions/(Deductions) to Unrestricted Net Assets	(6,648)	28,476	(4,787)	(4,394)			
Change in Unrestricted Net Assets	(6,999)	24,368	(25,338)	1,549			
Beginning Unrestricted Net Assets	**42,371**	**0**	**24,368**	**(970)**			
Ending Unrestricted Net Assets	**$35,372**	**$24,368**	**($970)**	**$579**	**-31%**	**-104%**	**-160%**
% Operating Revenues	14.7%	9.9%	-0.5%	0.3%			

Table 4: Restricted Funds Revenues and Expenditures projected for FY2021.

RESTRICTED FUNDS

(in thousands)	2018 Actual	2019 Actual	Q3 2020 Projection	2021 Budget	2018-19 % Chg.	2019-20 % Chg.	2020-21 % Chg.
Federal	$240,697	$248,123	$282,925	$293,648	3%	14%	4%
State	17,638	20,139	22,031	21,976	14%	9%	0%
Other	93,993	97,158	102,199	97,784	3%	5%	-4%
Total Revenues	**352,328**	**365,420**	**407,155**	**413,408**	**4%**	**11%**	**2%**
Personnel Services	(134,789)	(134,831)	(138,524)	(147,305)	0%	3%	6%
Supplies & Services & Capital Outlay	(215,222)	(222,042)	(261,500)	(259,560)	3%	18%	-1%
Capital Outlay							
Total Expenditures	**(350,011)**	**(356,873)**	**(400,024)**	**(406,865)**	**2%**	**12%**	**2%**
Net from Operations	2,317	8,547	7,131	6,543			
Transfers In	323	*384*	66	70	19%		6%
Transfers Out	(1,276)	*(5,915)*	(2,143)	(3,000)	364%	-64%	40%
Additions/(Deductions) to Restricted Net Assets	0	0	(81)	0			
Change in Restricted Net Assets	1,364	3,016	4,973	3,613			
Beginning Restricted Net Assets	**9,352**	**10,716**	**13,732**	**18,705**			
Ending Restricted Net Assets	**$10,716**	**$13,732**	**$18,705**	**$22,318**	**28%**	**36%**	**19%**
% Operating Revenues	3.0%	3.8%	4.6%	5.4%			

Table 5: 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	8,000,000
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	34,253,849

Self Support

Transfers In		Transfers Out	
From Education & General - Athletics	8,000,000	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	3,534,315
From Education & General - Telecom	30,000	Total Transfers Out	6,236,315
From SWPS - EXT - Des Ops	106,230		
Total Transfers In	9,092,849		

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 6: 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	$ 119,488,478	$ 6,595,642	$ 32,365,189	$ 23,791,500	$ 4,853,275	$ 9,242,393		$ 196,336,478
Net Tuition & Resource Fees	393,922,901	10,501,615	-	-	-	-		404,424,516
Other Revenue	69,876,281	194,671	5,988,515	17,887,813	3,679,035			97,626,315
	583,287,660	**17,291,928**	**38,353,704**	**41,679,313**	**8,532,310**	**9,242,393**		**698,387,309**
Personal Services	436,862,379	14,768,518	30,442,800	36,428,265	8,008,320	589,650		527,099,931
Supplies & Services	136,188,680	4,189,590	9,752,000	7,632,457	1,746,000	8,652,744		168,161,470
Capital Outlay	7,205,590	5,710	607,200	77,350	19,400			7,915,250
Student Aid	1,753,576	-	-	-	-			1,753,576
Internal Sales	(23,363,406)	-	(598,400)	(159,250)	(9,700)			(24,130,756
	558,646,820	**18,963,818**	**40,203,600**	**43,978,821**	**9,764,020**	**9,242,393**		**680,799,472**
Net Operating Gain (Loss)	**24,640,840**	**(1,671,890)**	**(1,849,896)**	**(2,299,508)**	**(1,231,710)**	-		**17,587,837**
Transfers In	5,327,000	433,243	-	700,000	250,000	-	(1,234,000)	5,476,243
Transfers Out	(35,290,619)		(91,000)	(106,230)	-	-	1,234,000	(34,253,849
Change in Fund Balance	**(5,322,779)**	**(1,238,647)**	**(1,940,896)**	**(1,705,738)**	**(981,710)**	-		**(11,189,769**
Beg Est Fund Balance-FY20 3rd Qtr Est	64,346,871	1,718,337	6,928,055	4,018,015	4,059,274	8,399,875		89,470,427
FY21 Estimated Ending Fund Balance	**$ 59,024,092**	**$ 479,690**	**$ 4,987,159**	**$ 2,312,277**	**$ 3,077,564**	**$ 8,399,875**		**$ 78,280,658**
	10.1%	*2.8%*	*13.0%*	*5.5%*	*36.1%*	*90.9%*		*11.29*

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