



**Oregon State**  
University

# FY2021 Operating Budget

**Finance & Administration Committee**  
**May 26, 2020**



# Overview

- Operating budget overview
- Budget context for FY2021
- Budget scenarios—variables and forecasts
- FY2021 Proposed budget
- Budget management strategies
- Questions?

# FY2021 Operating Budget

The operating budget is an estimate of revenues and a plan for deploying those revenues during the next year informed by:

- Vision 2030 and Strategic Plan 4.0
- Ten-year business forecast
- Ten-year capital forecast
- Contractual obligations
- Financial position of the university
- And this year....substantial uncertainty

# Budget Context and Challenges


- State funding reductions and differential impacts to OSU units
- Softening enrollment, generally
- COVID-specific uncertainty for international, non-resident and resident students
- Pricing competition and discounting
- Uncertainty in public health environment and what fall looks like for instruction, housing, athletics and all operations

# Budget Context and Challenges

Budget planning in a scenario approach:

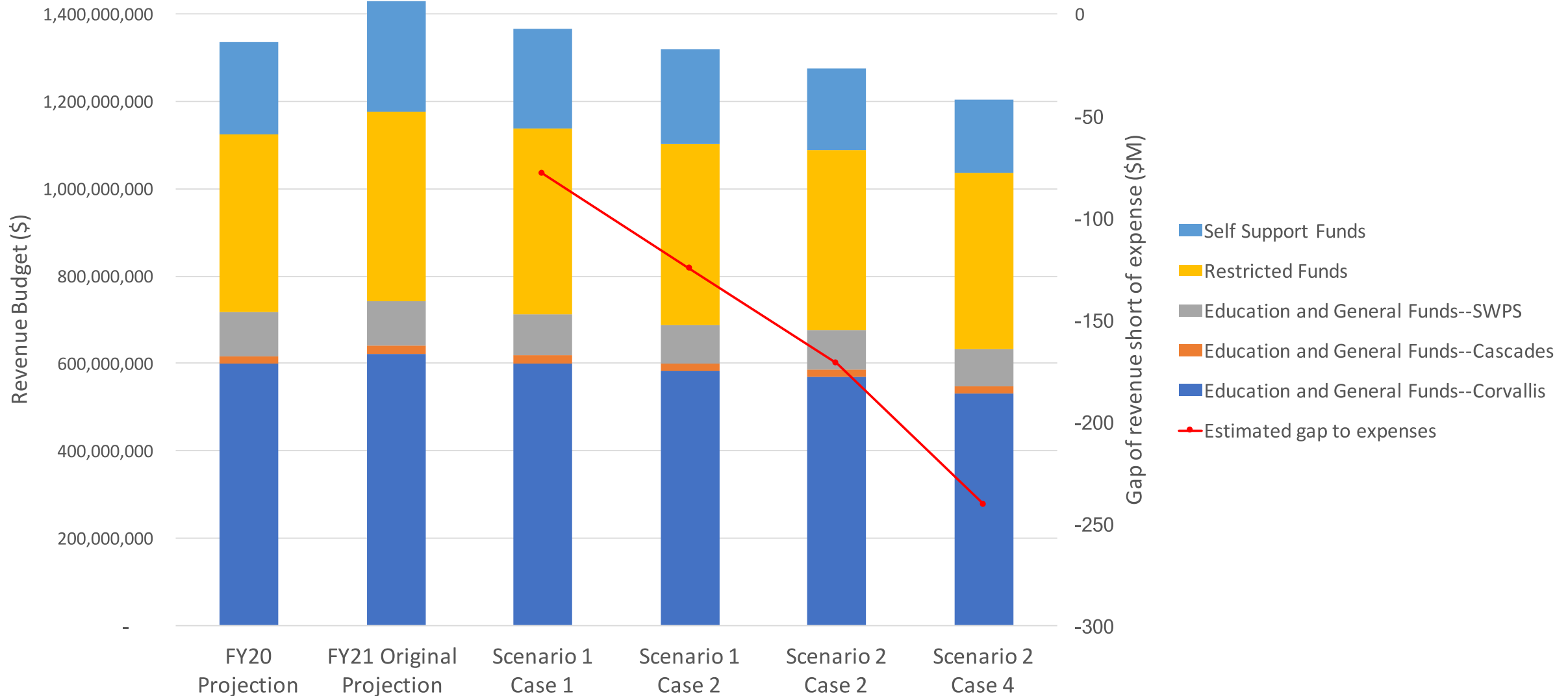
- All funds estimates
- Major revenue variables
  - State funding
  - Enrollment by major student group
  - Sales, service, other revenues
  - Research revenues and indirect costs
  - Additional discounts of tuition or not

# Summary of Scenarios and Cases

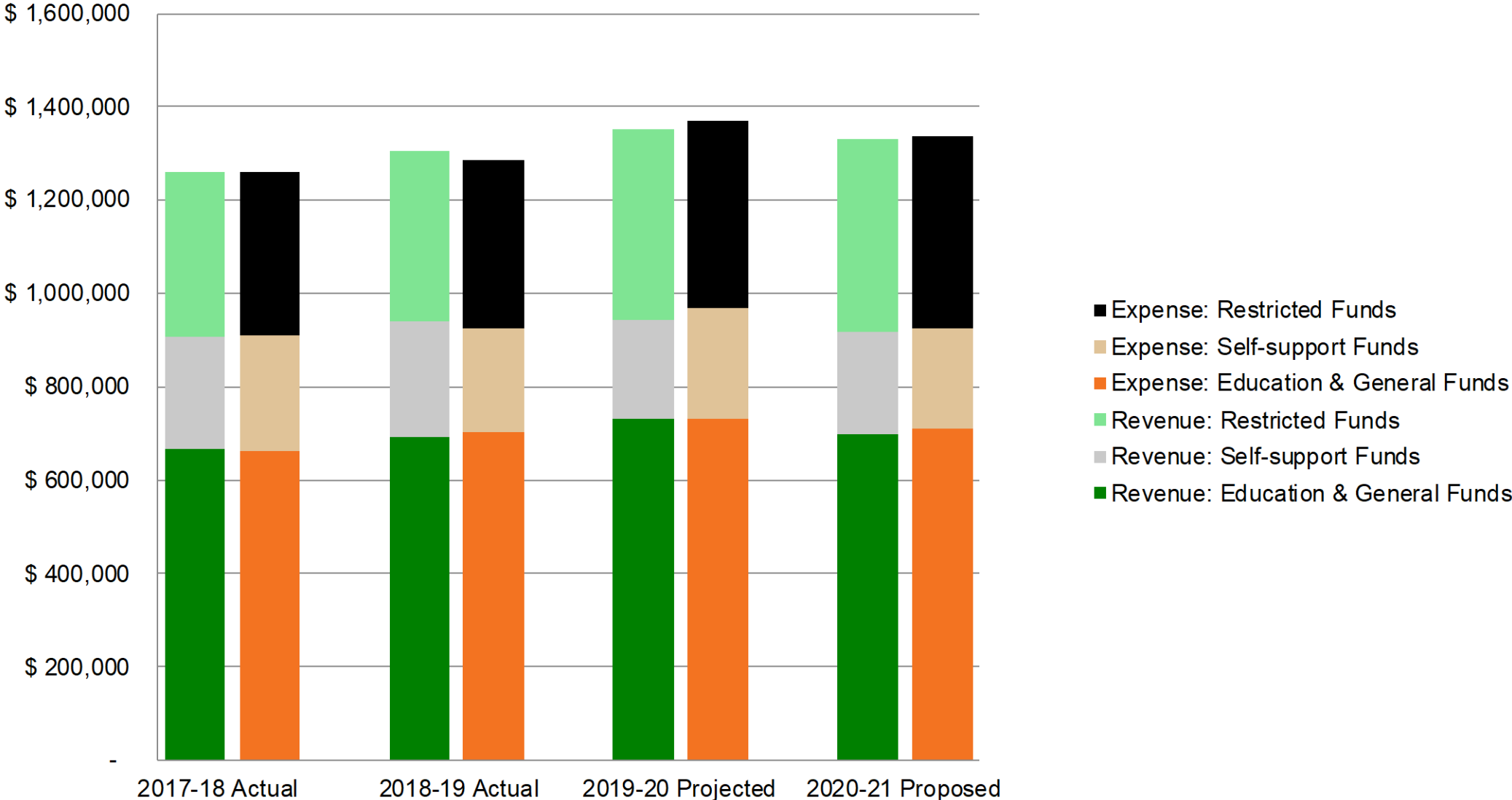
<b>Scenario 1:</b> Rapid and effective control—remote teaching for summer and modified return by fall	<ul style="list-style-type: none"> <li>• 10% drop in state funding</li> <li>• 0% drop in resident undergraduate tuition; 3% drop in U.S. non-residents</li> <li>• 8-10% drop in international student tuition; 3% gain in Ecampus</li> <li>• <b>Gap: \$31M Corvallis E&amp;G (\$78M all funds)</b></li> </ul>	<b>Case 1</b>
	<ul style="list-style-type: none"> <li>• 18% drop in state funding;</li> <li>• 3% drop in resident undergraduate tuition; 5% drop in U.S. non-residents</li> <li>• 10-15% drop in international student tuition; 6% gain in Ecampus</li> <li>• <b>Gap: \$48M Corvallis E&amp;G (\$124M all funds)</b></li> </ul>	<b>Case 2</b> 
<b>Scenario 2:</b> Recurrence of COVID-19 in fall – only partial return for fall with gradual return through academic year	<ul style="list-style-type: none"> <li>• 15% drop in state funding;</li> <li>• 10% drop in resident undergraduate tuition; 15% drop in U.S. non-residents</li> <li>• 15-35% drop in international student tuition; 8% gain in Ecampus</li> <li>• <b>Gap: \$62M Corvallis E&amp;G (\$171M all funds)</b></li> </ul>	<b>Case 2</b>
	<ul style="list-style-type: none"> <li>• 20% drop in state funding;</li> <li>• 15% drop in resident undergraduate tuition; 30% drop in U.S. non-residents</li> <li>• 40-50% drop in international student tuition; extensive non-resident tuition discounting</li> <li>• 11% gain in Ecampus tuition.</li> <li>• <b>Gap: \$101M Corvallis E&amp;G (\$241M all funds)</b></li> </ul>	<b>Case 4</b>



# Budget Context and Challenges



# Revenue and Expenses: FY2021 Operating Budget All Funds (in \$1,000s)





# Education and General Funds (Table 2): Challenges & Uncertainties

- Enrollment projections and yield in the fall
- Uncertainty in levels of state funding reductions
- Maintaining program growth at OSU-Cascades
- Sustaining Statewide Public Services with state cuts
- Increases in debt service, insurance, and contractual costs

## Self-Support Funds (Table 3): Major issues

- Uncertainty in enrollment and housing capacity
- Football schedule and associated revenues
- Sales and fee-funded units dependent on enrollment or employee use

## Restricted Funds (Table 4): Major Issues

- Grant revenues and applications still strong
- Uncertainty in how economic impacts may affect Federal and State funding

## Balancing strategy proposed budget: Corvallis E&G

- Multiple actions across funds
- No assumption of governmental support
- Evolving strategies for best to worst cases

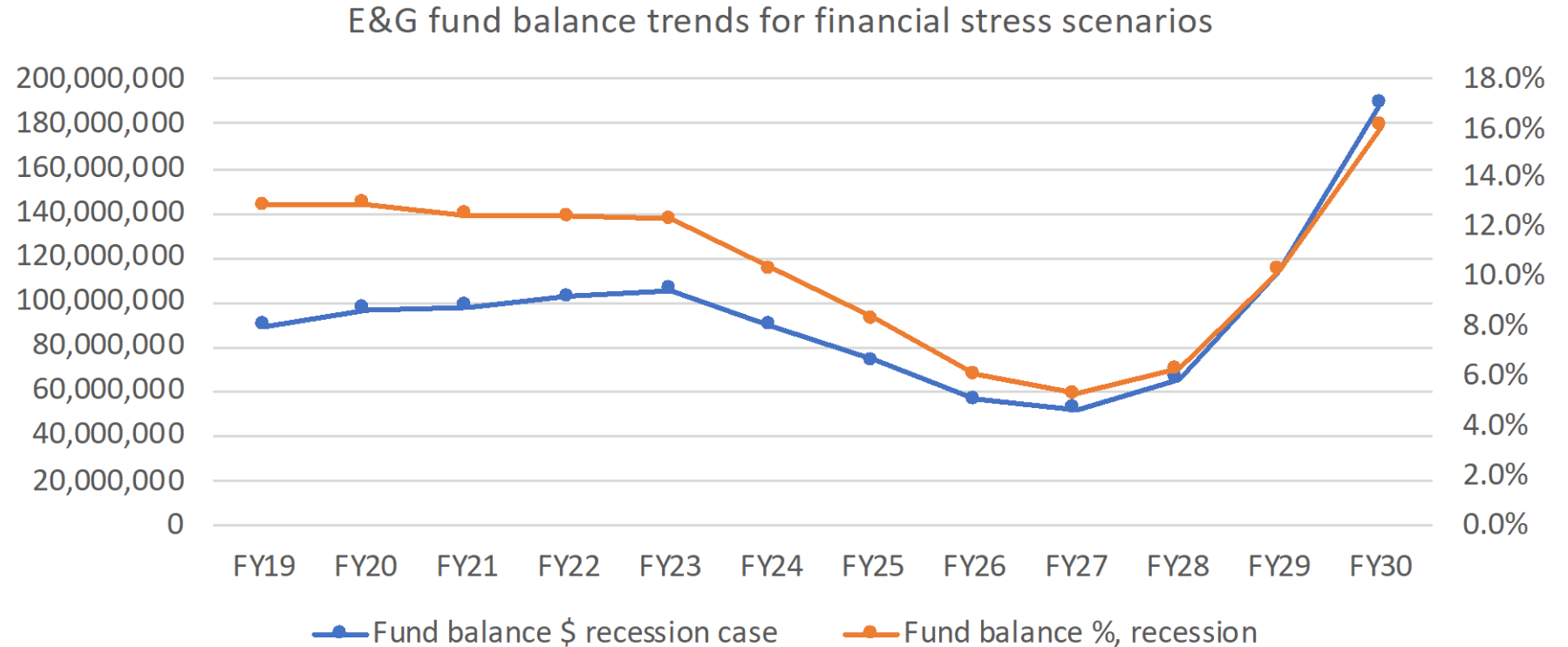
	Corvallis E&G shortfall	Reduced capital renewal spend	Reduced services & supplies spend	Unit level position layoffs & delayed hires	University wide progressive pay or FTE reductions	Fund balance	Additional fund balance or other cash
Scenario 1 Case 2 (Board budget)	\$48M	\$8M	\$6M	\$8M	\$12M	\$14M	\$0M
Scenario 2 Case 4	\$101M	\$13M	\$10M	\$10M	\$18M	\$25M	\$25M

# Ten-year Business Forecast—Stress Example

Modeled two extreme stress cases (one shown here).

## Outcomes:

- Revenue downturn is quick and significant
- Possible to “overshoot” by cutting, so fund balances stay > 10%
- Modeling suggests allowing fund balance below 10% for a few years may be a better strategy for long-term



# Balancing Strategy Proposed Budget: All Funds

	All funds shortfall	Corvallis E&G Savings	Cascades savings	Restricted fund reductions to match revenue	Self-support layoffs, vacancies	SWPS reductions	Other fund balance or cash reserves (SWPS or E&G)
<b>Scenario 1 Case 2 Strategy</b>		\$49M	\$1.8M	\$18.7M	\$40.8M	\$10M	\$4.6M
<b>Shortfall</b>	<b>\$125M</b>	<b>\$49M</b>	<b>\$1.8M</b>	<b>\$18.7M</b>	<b>\$40.8M</b>	<b>\$14.6M</b>	
<b>Scenario 2 Case 4 Strategy</b>		\$101M	\$2.0M	\$26.9M	\$50M	\$10M	\$51.1M
<b>Shortfall</b>	<b>\$241M</b>	<b>\$101M</b>	<b>\$3.3M</b>	<b>\$26.9M</b>	<b>\$90.9M</b>	<b>\$18.7M</b>	

## Recommendation

Propose the Committee recommends to the Board approval of the FY2021 operating budget, as presented in Tables 2 through 6.