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?
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
  o State funding
  o Enrollment by major student group
  o Sales, service, other revenues
  o Research revenues and indirect costs
  o Additional discounts of tuition or not
# Summary of Scenarios and Cases

<table>
<thead>
<tr>
<th>Scenario 1: Rapid and effective control—remote teaching for summer and modified return by fall</th>
<th>Scenario 2: Recurrence of COVID-19 in fall – only partial return for fall with gradual return through academic year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Case 1</strong></td>
<td><strong>Case 2</strong></td>
</tr>
<tr>
<td>• 10% drop in state funding</td>
<td>• 15% drop in state funding;</td>
</tr>
<tr>
<td>• 0% drop in resident undergraduate tuition; 3% drop in U.S. non-residents</td>
<td>• 10% drop in resident undergraduate tuition; 15% drop in U.S. non-residents</td>
</tr>
<tr>
<td>• 8-10% drop in international student tuition; 3% gain in Ecampus</td>
<td>• 15-35% drop in international student tuition; 8% gain in Ecampus</td>
</tr>
<tr>
<td><strong>Gap: $31M Corvallis E&amp;G ($78M all funds)</strong></td>
<td><strong>Gap: $48M Corvallis E&amp;G ($124M all funds)</strong></td>
</tr>
<tr>
<td><strong>Case 2</strong></td>
<td><strong>Case 4</strong></td>
</tr>
<tr>
<td>• 18% drop in state funding;</td>
<td>• 20% drop in state funding;</td>
</tr>
<tr>
<td>• 3% drop in resident undergraduate tuition; 5% drop in U.S. non-residents</td>
<td>• 15% drop in resident undergraduate tuition; 30% drop in U.S. non-residents</td>
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<tr>
<td>• 10-15% drop in international student tuition; 6% gain in Ecampus</td>
<td>• 40-50% drop in international student tuition; extensive non-resident tuition discounting</td>
</tr>
<tr>
<td><strong>Gap: $62M Corvallis E&amp;G ($171M all funds)</strong></td>
<td>• 11% gain in Ecampus tuition.</td>
</tr>
<tr>
<td></td>
<td><strong>Gap: $101M Corvallis E&amp;G ($241M all funds)</strong></td>
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</tbody>
</table>
Budget Context and Challenges

FAC Agenda Item 5a
Revenue and Expenses:
FY2021 Operating Budget All Funds (in $1,000s)

FAC Agenda Item 5a
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

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Corvallis E&amp;G shortfall</th>
<th>Reduced capital renewal spend</th>
<th>Reduced services &amp; supplies spend</th>
<th>Unit level position layoffs &amp; delayed hires</th>
<th>University wide progressive pay or FTE reductions</th>
<th>Fund balance</th>
<th>Additional fund balance or other cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case 2 (Board budget)</td>
<td>$48M</td>
<td>$8M</td>
<td>$6M</td>
<td>$8M</td>
<td>$12M</td>
<td>$14M</td>
<td>$0M</td>
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<td>Scenario 2</td>
<td>$101M</td>
<td>$13M</td>
<td>$10M</td>
<td>$10M</td>
<td>$18M</td>
<td>$25M</td>
<td>$25M</td>
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</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Scenario 1 Case 2 Strategy</th>
<th>All funds shortfall</th>
<th>Corvallis E&amp;G Savings</th>
<th>Cascades savings</th>
<th>Restricted fund reductions to match revenue</th>
<th>Self-support layoffs, vacancies</th>
<th>SWPS reductions</th>
<th>Other fund balance or cash reserves (SWPS or E&amp;G)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shortfall</td>
<td>$125M</td>
<td>$49M</td>
<td>$1.8M</td>
<td>$18.7M</td>
<td>$40.8M</td>
<td>$10M</td>
<td>$4.6M</td>
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<tr>
<td>Scenario 2 Case 4 Strategy</td>
<td>$101M</td>
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<td>$10M</td>
<td>$51.1M</td>
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<td>Shortfall</td>
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<td>$101M</td>
<td>$3.3M</td>
<td>$26.9M</td>
<td>$90.9M</td>
<td>$18.7M</td>
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Recommendation

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