Ten-Year Business Forecast: FY2020 through FY2030

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SUMMARY

OSU's Ten-Year Business Forecast is intended to identify long-term trends in the university's finances that support or jeopardize achievement of the goals of the university's strategic plan. The forecast provides a look far enough ahead to take corrective action or to plan for additional investments and to carefully consider the long-term impacts of current programmatic and financial decisions. The forecast considers enrollment projections; tuition rates and institutional financial aid; expense projections for inflation, benefits, salaries, and enrollment growth; and new construction, renovation, and repairs with associated operating and debt costs. The forecast is updated in January of even-numbered years.

The forecast is significantly dependent on Corvallis Education and General (E&G) operations, as these have the largest impact on the university's financial position and can change the most with fluctuations in tuition and enrollment. However, projections for operating and capital impacts on all funds are included in the assessment of the long-term financial metrics. These include OSU-Cascades E&G, self-support operations and restricted funds, Corvallis self-support operations and restricted funds, and Statewide Public Services funds.

The following are the principal conclusions from the forecast covering fiscal years (FY) 2020 through 2030:

- The baseline forecast for E&G funds includes projections of current enrollment, tuition, and expense trends as well as projects identified in the ten-year capital forecast. The forecast shows negative operating margins beginning in FY2022 reflecting continued substantial increases in retirement benefit rates for employees, slow or declining enrollment in Corvallis, commitments to employee compensation, and substantial investments to address the deferred maintenance backlog. The negative operating margins erode E&G fund balances over time.
- Under a business as usual scenario, the E&G operating fund balance would drop below 10% in FY2024. The university is undertaking a number of initiatives, guided by Strategic Plan 4.0, which are intended to address this problem.
- New initiatives driven by SP4.0 and prioritized by university management to reach untapped or emerging markets and improve current market share are in development now and are projected to have impact by FY2024 when the E&G operating fund balance would drop below 10%.The initiatives are many, but six broad strategies are particularly important. They include reducing expenses, expanding non-resident undergraduate enrollment (including international enrollment), growing transfer student enrollment (principally residents), increasing non-thesis graduate student enrollment, expanding professional education activities, and growing Ecampus programs beyond the current portfolio development plan. If successful, these initiatives are — in combination — projected to generate net revenue that will yield E&G fund balances over 10% through FY2030.
- This forecast also explores the financial implications of two scenarios: 1) a major economic recession with a resulting large reduction in state support and 2) a sudden drop in international enrollments. In both cases, allowing spending of fund balance below the 10% threshold, combined with modest expense reductions over three to four years, restores fund balances to over 10% within five years and maintains programs and personnel.

- Revenue growth and expense management from the six major initiatives provides resources to add faculty and staff to support enrollment growth, maintain and grow programs and services critical to the strategic plan, and advance the capital forecast.
- OSU-Cascades enrollment is planned to grow to around 2,900 (head count) by FY2030, though there are both slower and faster growth scenarios within the OSU-Cascades forecast. This updated growth plan is consistent with recent enrollment patterns in Bend. The forecast projects small planned operating deficits at OSU-Cascades through FY2021.
- The Statewide Public Services have historically managed within budget through adjustments in level of staffing, but they would be particularly challenged if sudden reductions in state funding occur as the state provides over 60% of support for those programs.
- Declining reserves are projected for self-supporting operations through FY2023 as current capital renewal projects are completed with significant growth in balances in subsequent years, reflecting the development of reserves for capital renewal projects after FY2030. Restricted funds remain in balance, but will be sensitive to changes in funding support at the federal level.
- The forecast recognizes the costs of the capital forecast, including new construction, major renovation, and repair and renewal of buildings and infrastructure. The capital forecast is estimated to reduce the deferred maintenance backlog by more than $350M by the end of FY2030.
- The forecast yields financial metrics that meet or exceed the Board's established tolerances, except for net operating revenues, prior to FY2025. The completion of major capital projects yields peaks in nets assets. The debt service coverage ratio peaks in FY2025 as a result of the projected revenue bond issuance supporting the capital forecast. Viability and primary reserve ratios increase significantly in part due to the reestablishment of net working capital in support units.

Major changes in the forecast from the January 2018 version include:

- Enrollment projections in the Corvallis baseline scenario are more conservative and track expected demographic changes in numbers of Oregon high school graduates.
- A strategy built on several initiatives with relatively modest estimates of growth is proposed, rather than two large initiatives. Each of the initiatives included in the forecast is actively under development.
- There is greater uncertainty around long-term compensation for faculty, given their new representation by United Academics of OSU (UAOSU) and the fact that negotiations for a first contract are still in progress.
- There is greater uncertainty in the trajectory of rates for the state retirement plans, particularly Public Employees Retirement System (PERS). The forecast includes updates to the projected rates based on recent legislative actions and OSU's plan to fund a side account that includes state matching funds. There is significant uncertainty, however, because of the pending court cases regarding the legislative changes, the actuarial analysis due at the end of 2019, and the impact the next recession could have on earnings assumptions.
- The capital forecast has been updated from the January 2018 version, including updated planning for the Arts and Education Complex, Newport (MSI) Housing, Reser Stadium, and the Collaborative Innovation Complex.

- The forecast uses a new financial modeling software tool from the university's investment advisor PFM for all of the data and projections in the forecast. The tool provides more flexibility to examine the impact of new initiatives and alternative strategies on the overall financial position of the university.

THE BASELINE: FY2019 FINANCIAL STATEMENT AND FINANCIAL METRICS UPDATE

Background

The baseline for the FY2020-2030 Ten-Year Business Forecast is the previous year's (FY2019) audited financial statements. The OSU Annual Financial Report, including the audited financial statements and management's discussion and analysis, has been completed and will be presented to the Executive & Audit and Finance & Administration Committees on January 24, 2020. To complement that report, this update provides information on the financial health of the university as of June 30, 2019, including comparison of key financial metrics over time. These metrics are the starting point for the ten-year projections in the forecast.

Overview

In December 2019, Moody's Investors Service noted that "the change in outlook for U.S. higher education to stable from negative reflects our expectation that while business conditions will remain difficult for a notable portion of the sector in the next 12-18 months, they will not deteriorate materially."[1] Declining and volatile levels of state funding have required universities to reduce costs, gain efficiencies, and look to other sources of revenues through increasing philanthropy, developing additional intellectual property, growing their research base, and increasing tuition. Given OSU's land grant mission, financial management of OSU is an exercise in balancing the goals of financial strength and security with access and affordability.

Over the past several years, the university has made investments in capital and human resources and in other operations needed to keep pace with enrollment growth and to reduce a deferred maintenance backlog. Consequently, the growth in net assets has not kept pace with the growth in the revenue and expenditure base. In FY2018, the university began budgeting annually to address capital renewal and deferred maintenance with the goal of reaching $45.0M annually. The university budgeted $5.0M, $10.0M, and $13.0M in fiscal years 2018, 2019, and 2020 respectively.

Analysis of Specific Financial Metrics

Table 1 provides a trend analysis of seven specific financial metrics to evaluate the university's financial health, including the five policy ratios used to evaluate debt capacity and affordability. The debt service amounts shown include only the university-paid debt, including the net amount of debt service on State Energy Loan Program (SELP) debt, where the legislature has committed to pay the debt service with a separate General Fund appropriation.

Effective FY2015, the university implemented Governmental Accounting Standards Board (GASB) Statement No. 68[2] and GASB Statement No. 71[3], relating to pension accounting and reporting[4]. In addition, GASB Statement No. 75, *Accounting and Financial Reporting for Post-*

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[1] Moody's Investors Service, December 10, 2019, "[Higher education – US: 2020 outlook moves to stable with steady revenue growth and solid reserves]"
[2] Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27
[3] Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68
[4] Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68

employment Benefits Other Than Pensions, was implemented effective FY2018. These implementations affect six of the seven financial metrics to varying degrees. The changes in GASB 68 and 71 mainly require that the university show its share of the net pension liability relating to benefits earned by current and past university employees in the state's retirement system. The move of these assets and liabilities onto OSU's statements has a substantial impact on some of the metrics. In Table 1, for fiscal years 2015, 2016, and 2017, the right-hand column shows the ratios without the cumulative impact of GASB 68 and 71 for comparison purposes. For FY2018 and FY2019 the right-hand column shows the ratios without the cumulative impact of GASB 68, 71, and 75.

While the trends in the financial metrics in Table 1 indicate balance sheet strength, new initiatives driven by SP4.0 and prioritized by university management show improvements to the "income statement" over the next several years strengthen reserves and protect the university's net asset base. Specific financial metrics are summarized as follows:

Debt Burden Ratio – The debt burden ratio shows the magnitude of debt service expenditures for university-paid debt relative to total expenses, less depreciation and plus debt principal payments. This ratio measures the university's dependence on debt to finance its mission. The university's debt burden is 5.1% for FY2019, which is within the Board's established range of 2.5% to 6.5% and indicates that the university is not overly leveraged. Without the implementation of GASB statements 68, 71, and 75, this ratio is 5.3%, also within the Board's established range.

Debt Service Coverage Ratio – The debt service coverage ratio, or debt affordability ratio, measures the sufficiency of net revenues to cover debt service. This ratio uses a three-year rolling average of net revenues to smooth short term revenue volatility in the data. The university's debt service coverage was 0.7 times debt service for FY2019 which is below the Board's established range of 2 to 4.5 times. Without the implementation of GASB statements 68, 71, and 75, this ratio is 1.4 times debt service, which is also below the Board established range.

Income Statement Leverage Ratio – The income statement leverage ratio measures the amount of debt relative to the size of operations as reflected in total revenues. This ratio considers only debt that will be repaid with university revenue. The university's income statement leverage stood at 49.6% for FY2019. This is within the Board's established range of 30.0% to 75.0% and shows that the university is moderately leveraged. This ratio is unaffected by implementation of GASB statements 68, 71, and 75.

The following four ratios are considered industry standard core measures of financial health. They combine amounts from the OSU Foundation's financial statements (where applicable), which is recommended by industry best practice, in order to portray the financial health of the university more comprehensively.

Viability Ratio – The viability ratio compares expendable net assets to total outstanding debt to be repaid with university revenues. This ratio measures the ability to repay debt with financial resources and the ability to use debt to strategically advance the university's mission. The university's viability ratio was 39.6% for FY2019, which is below the Board established range of 75% to 125%. Without the implementation of GASB 68, 71, and 75 this ratio is 75.2%, within the Board established range.

Primary Reserve Ratio – The primary reserve ratio measures the level of available reserves to meet the university's operating expenditures, indicating whether financial resources are sufficient and flexible enough to support the university's mission. The university's primary reserve, inclusive of the related foundations, was 19.8% as of FY2019, which is below the Board established range of 35% to 65%. Without the implementation of GASB 68, 71, and 75 this ratio is 38.4% and within the Board established range.

Return on Net Assets Ratio – The return on net assets ratio measures whether the university is financially better off than in previous years by measuring total economic return. The university's (inclusive of the related foundations) return on net assets was 4.0% for FY2019 and within the Board established range of 0% to 8%. Without the implementation of GASB 68, 71, and 75 this ratio is 5.1%, also within the Board established range.

Net Operating Revenues Ratio – The net operating revenues ratio explains how the results of operations affects the behavior of the other three core ratios: the viability ratio, the primary reserve ratio, and the return on net assets ratio. A large surplus or deficit directly impacts the amount of funds an institution adds to or subtracts from net assets, thereby affecting the other three core ratios. The university's net operating revenues ratio was -2.6% for FY2019, which is below the Board established range of 0% to 6%. Without the implementation of GASB 68, 71, and 75 this ratio is -0.6%, which is also below the Board established range.

Conclusion

In 2019, four of the seven key metrics were outside of the Board established range with GASB 68, 71, and 75 fully implemented. When considered without implementation of GASB and over the longer horizon of the last five years, five of the seven key financial metrics have generally been within the operating ranges set by the Board. These include the debt burden, income statement leverage, viability, primary reserve, and return on net assets ratios.

Over this same time period, the debt service coverage and net operating revenues ratios have primarily been below the lower level of the operating ranges. Being outside the range in these two ratios does not indicate an immediate concern about OSU's financial health or impact to our Aa3 credit rating. The debt service coverage ratio has been slightly outside of the established range for four of the five years. The net operating revenues ratio had been steadily improving over time, though the change in the current year's calculation is further outside the range. The university is addressing revenue generation through its budget and forecasting process. Staff discuss longer-term projected trends of these ratios in the following sections of the Ten-Year Business Forecast.

TEN-YEAR BUSINESS FORECAST: PURPOSE, APPROACH, AND PRINCIPAL ASSUMPTIONS

Purpose

The ten-year business forecast provides a long-term view of the aggregate impact of near-term operating and capital decisions made in support of the university's strategic plan. The forecast considers the influence of external factors such as enrollment demand, Oregon's economic outlook, and compensation costs, as well as the projected results of management's strategic actions driven by SP4.0. The principal goal is to identify areas of concern and opportunity associated with the university's decisions and external conditions early enough to take action to maintain and improve the university's financial strength.

Ten-year forecast and Strategic Plan 4.0

Strategic Plan 4.0 identifies twenty specific actions to advance four goals. The Provost's Office has identified leads for each of those actions and ten of those actions are receiving particular focus this year.

The ten-year business forecast takes an institutional-level view of operating and capital needs and the expected trajectories of revenues and expenses (salary growth, capital costs, staffing growth for enrollment, expected benefit increase, potential new programs, etc.). The twenty actions in SP4.0 will be advanced by tactics that require specific decisions at the unit level (which interdisciplinary degree programs to add, which faculty to hire, etc.). Those specific actions are not all known now but are represented in the forecast by planning for certain categories of expenditures or revenues and in the assumptions used in the base case and the various initiatives. The base case in the forecast, the various initiatives, and the capital forecast derive from the goals and actions identified in the strategic plan.

Table 2 summarizes the relationship between the twenty actions in SP4.0 and elements of the ten-year forecast. The specific investment of net revenues in the ten-year forecast will be guided by recommendations from the various groups leading each of the twenty actions.

Approach

The forecast uses institutional level projections of revenues and expenditures across all funds. There is a particular focus on Corvallis E&G operations since those make up a large share of the university's work and much of the activity in self-support and auxiliary funds depends on the level of activity in E&G operations.

The forecast begins from the FY2019 audited financial statement and is built from a baseline scenario that assumes current trends in enrollments, revenues, and expenses out through FY2030. This base case includes the capital forecast, based on recommendations from the Infrastructure Working Group (IWG, which is discussed in detail later in this document). It then examines six additional broad initiatives that are underway and that either slow expense growth or add net revenues. Each of the six initiatives is relatively modest in scope but, in combination, they yield forecasted operating balances within the desired ranges and financial metrics generally within the preferred ranges. The net operating revenues ratio begins negative but shows modest positive growth by the end of the forecast.

This forecast is tested against two downturn scenarios to consider what steps would be necessary to adjust to those changes. The first assumes a major economic recession beginning in FY2022 that causes an 18% decline in state funding over three years (following the trends of previous recessions). The second assumes a sudden loss of 40% of international enrollments in fall of 2021 (FY2022) with enrollments recovering over the following five years.

Corvallis E&G funds: Revenues are modeled from ten-year enrollment targets and assumed tuition levels by student type. The enrollment forecast for Corvallis is informed by demographic projections for Oregon residents and Ecampus planning for new program additions or updates. The initial enrollment management targets are guided by the new enrollment management team and will be adjusted as the enrollment management plan is refined. Various adjustments in tuition rates are included as appropriate for the program or student type. Institutional financial aid is taken as a percentage of undergraduate tuition revenue. Changes in state funding are set at the long-term average growth but can be adjusted in various scenarios. Revenues from indirect cost recovery are estimated from projections of grant and contract funding and the predicted growth in other revenues is based on historical trends. Expenses are estimated from assumptions about raises for unclassified staff (both represented and unrepresented), trends in compensation for classified staff, projections of benefit increases based on current actuarial assessments of PERS costs, and projections of general inflation. Discrete expense additions are made for strategic or programmatic commitments such as the funding of a capital renewal fund and operating costs of new buildings as they come on line. Marginal expenses proportional to enrollment growth are included for faculty, staff, and graduate assistants, as well as for overhead costs to support that enrollment growth. Operating and debt-service costs detailed in the ten-year capital forecast are included in this ten-year business forecast.

OSU-Cascades E&G funds: The OSU-Cascades long-term projection is built from programmatic level plans for enrollment and academic program buildout and is validated through first-year freshman and transfer enrollment targets assuming year-over-year improvements in retention and graduation rates. The timing and number of academic programs added is a key driver for potential for enrollment growth at OSU-Cascades. The revenues and expenses are built in the same manner as for Corvallis based on the growth in enrollment, the staffing for academic programs, and the costs of building out the physical campus.

Statewide Public Services (SWPS) E&G funds: The SWPS operations depend principally on governmental appropriations and, as such, change with discrete decisions about overall state funding, state support for specific policy options, and federal formula funding support. The SWPS have historically managed staffing levels to adjust to changes in these funding sources, with some modest backstopping from general E&G funds. The forecast assumes annual growth in revenues driven principally by state funding levels and expenditure levels that match available revenues, maintaining a fund balance over 10%.

Restricted funds: These include federal and state financial aid, external grant and contract awards, private and Foundation funds, and other governmental funds. Revenues for restricted funds are assumed to grow at historical rates or as a proportion of E&G revenues. These revenues have grown at a slower rate than E&G revenues over the last several years because growth in governmental support for various activities has been more limited. Expenditures of restricted funds track revenues closely and the funds maintain a modest fund balance (1% to 3%).

Auxiliary funds: Revenues and expenditures for the various self-supporting operations (auxiliaries) were modeled based on historical trends for revenues and expenses. The projections for Oregon State University Athletics were aligned with the Athletics Financial Sustainability Plan. The principal challenge for self-supporting operations in recent years has been the erosion of fund balance and net working capital because of accumulated operating losses in Athletics. The Athletics Financial Sustainability Plan balances the athletics budget, and self-supporting operations are projected to grow back to net working capital of 20% to 30% of revenues after a low of about 5% in FY2023 and FY2024 (when some large capital renewal projects in University Housing and Dining Services are completed).

Capital planning and funds: The university's IWG reviews and recommends priorities to the president for capital projects based on the goals of SP4.0 and proposals and assumptions of available gift, state funds, and OSU revenues. The resulting capital forecast includes projects supported by state and gift funding, education and general paid debt, and self-supporting unit paid debt. The costs of debt service and operations of the facilities are included in the appropriate operating forecast depending on timing of the project.

Modeling the university's financial position: All assumptions and resulting revenues, expenses, and commitments are modeled in PFM's financial-planning tool (recently rebranded from Whitebirch to Synario) which projects the university's financial position and key financial metrics. This allows an assessment of the overall financial position including capital assets, issues related to depreciation, and overall balance sheet performance.

Major Assumptions

The baseline forecast is built from a forecast of enrollment in major categories for all locations. It also assumes growth in staffing of faculty, academic staff, and support services, driven largely by growth in various types of enrollment. For the most part, the specific academic programs and administrative support units in which this growth will occur are not identified here, since the forecast is at the institutional level. However, the growth assumptions are based on anticipated student demand in selected programs, priorities in the strategic plan, and needed improvements in critical support services.

The following are the assumptions for the baseline scenario under each major fund category. *Synario* generates an operating summary for each of the three fund types.

- Education and General funds:
    - Corvallis resident undergraduate enrollments secure their historic share of Oregon high school graduates by fall 2021 and follow demographic trends after that (**Figure 1**). Resident enrollments peak at about 14,800 in FY2027 then decline to 13,600 in FY2030. These trends are consistent with enrollment models for Corvallis recently completed as part of the Higher Education Coordinating Commission's development of a long-range capital plan.
    - Non-resident undergraduate enrollments (including international students) grow by 20 students a year after declining in FY2021. Rather than assuming a percentage ceiling for non-resident enrollment the forecast assumes reserving 15,000 seats for undergraduate resident students (those enrollments peaked at 14,800 in FY2016). The projected growth in the forecast does still have resident enrollment at 67% or more of undergraduate enrollment in Corvallis in all years of the forecast.
    - Graduate enrollments are relatively flat through FY2021 then grow by 20 students a year through FY2030. Enrollments in Pharmacy and Veterinary Medicine are flat after a final increase in the non-resident class in Veterinary Medicine in fall 2020.

- Ecampus revenue growth continues at about 8% in FY2021 then slows to 4.5% by FY2030. This assumes continued growth in use of Ecampus by Corvallis students and implementation of the current program development plan in Ecampus.
- OSU-Cascades growth is modeled at an intermediate scenario, increasing to a little over 2,700 student headcount by FY2030 with a student mix similar to that now (about 80% undergraduate and 90% Oregon residents).
- Tuition increases for resident undergraduates of 4.5% in the first year of each biennium (because of continued PERS rate increases) and 3% in other years. Ecampus and summer rate changes follow resident undergraduate tuition
- Non-resident undergraduate tuition increases at 3% per year (increases larger than this are considered to negatively impact non-resident recruitment).
- Professional tuition tracks peer institutions at 4% per year increase after FY2022.
- Graduate tuition increases of 3% annually for residents and 4% for non-residents.
- Ecampus tuition rates increase at 3% per year for all student categories.
- Institutional financial aid is estimated at 10% of total tuition (equivalent to a bit over 12% of undergraduate tuition).
- OSU-Cascades tuition rates increase at the same rates used for Corvallis.
- Infrastructure projects impact the operating forecast for debt service, cash outlays, or operations and maintenance as detailed in the capital forecast.
- State funding increases at 2.5% per biennium. This is conservative but is the long-term average rate over the last 20 years, smoothing out highs and lows tracking economic activity to match the state appropriation distribution of 49% in the first year and 51% in the second. The same increases are assumed for Corvallis, OSU-Cascades and the SWPS.
- Student fees rates increase at 3.3% per year.
- Other major revenues (F&A recovery, federal and county appropriations, etc.) increase 2% per year.
- Salary increases are uncertain but higher side increases are modeled for a conservative impact. Classified salaries (staff represented by SEIU) and graduate and other pay are assumed as negotiated.
- Benefits grow at 5% annually for health insurance, and at state-set rates for retirement, with larger increases (over 10%) in even fiscal years when PERS adopts new rates. The state rate-setting valuation is updated each odd year to establish employer contribution rates for the biennium beginning eighteen months later (i.e. rates effective July 2019 through June 2021 were based on a December 31, 2017, valuation date). The PERS rates are estimated including the impact of changes made in the 2019 legislative session, some of which are under challenge in court. The rate estimates have larger increases starting in FY2026 due to anticipated expiration of some parts of the legislative adjustments, as well as changes in existing pension obligation bonds, although the impact of these changes might not be realized until a later biennium.

   - General inflation on goods and services is set at 2.5%, yielding aggregate local inflation of about 4% to 5% in years with large PERS increases and 3% to 3.5% in other years.

- Capital Forecast:
   - $164.0M of OSU-paid debt, including debt paid by E&G funds and by self-supporting operations for revenue bonds or state XI-F bonds.
   - Significant gift funding for all new academic building projects.
   - Capital renewal funding that includes $18.1M per biennia paid by the state, some minor capital projects funded from unit cash, and E&G-paid capital renewal funding reaching $45.0M annually by FY2026.
   - State-paid debt of about $57.0M per biennium for Corvallis projects (total of $285.0M through FY2030), though the distribution varies across biennia.
   - Self-supporting projects paid entirely by private capital, revenue bonds or capital renewal funds (University Housing and Dining Services) or gift funds and state XI-F bonds (Athletics).
   - State-paid debt for OSU-Cascades averaging $22.5M a biennium and totaling $112.7M through the FY2027-29 biennium.
   - The IWG prioritizes and recommends investments to the president based on those projects' effectiveness in advancing the strategic plan. Prioritization of projects by the IWG, within these constraints, is based on: life safety concerns; operational needs; facility condition; accessibility; space utilization; impacts on finance, scholarship, research, and outreach; impacts on student and employee success; impacts on university reputation; and potential to leverage other sources of funding.

- Other issues affecting the financial statements:
   - PERS liability: The state annually assigns OSU a portion of any changes in the PERS liability. Updates for actual investment returns, member census data, and financial information; and variable factors such as statute changes, long-term expected rate of return assumptions, inflation rate, discount rate, projected salary increase assumptions, and demographic assumptions such as expected mortality are made to adjust the current net position. The pool values are allocated to OSU and are recorded accordingly in the financial statements. This is one of the areas of significant uncertainty in projecting the financial statements.
   - PERS side account: The forecast assumes that OSU funds a $30.0M side account that would receive $7.5M in matching state funding that reduces retirement rates for ten years beginning in 2021.
   - Changes in accounting standards: Changes in accounting requirements (as with the impact of GASB standards 68, 71, and 75 on pension liability reporting) can change the university's financial position.

It is clear that one of the central challenges OSU faces is that expenses have been growing faster than revenues. The projections in the base case show that trend will continue. This was true in the ten-year forecast version accepted in January, 2018. In that version there were two large initiatives identified to provide the net revenue growth needed to sustain the goals in SP3.0 (the Portland initiative and the Gateway initiative). Both were projected to show significant growth but were at a very early stage of development and further work has shown that projections for both were overly optimistic.

The base case of the ten-year forecast was built to show the trajectory of expenses and revenues based on current E&G commitments, programs, and student mix. However, given the challenges facing higher education, OSU has been working on strategies to adapt to rapidly changing circumstances. The work developing SP4.0 and management's consideration of untapped or emerging markets and initiatives to improve current market share identified several opportunities including reducing expenses, growing undergraduate and graduate enrollment, and developing new kinds of educational programs. Various groups have been working on developing the initiatives modeled in the FY2020-2030 version of the ten-year forecast. Each initiative is based on programs or planning that are already in some stage of development and each is forecasted to generate relatively modest net revenue. Projecting the outcomes of these initiatives confirms that, in combination, they provide a more stable operating result and financial position. They are modeled individually with the baseline case to clearly show the individual, as well as aggregate, impact of that work.

The six strategies are:

- Expense reduction: Expense reduction of an incremental $4.5M per year in E&G spending beginning in FY2022 (so $4.5M in FY2022, $9.0M in FY2023, etc.) relative to the base case. This reduces total expenses in FY2030 by about 3%. The vice president for finance and administration and the provost have been leading work on expense reduction. This initiative recognizes ongoing efforts to manage administrative and support costs both centrally and in colleges. Work includes benchmarking with ABC Insights; restructuring units in the Division of Finance and Administration, the president's offices, and vice provost's offices; assessing support costs within colleges; and assessing program delivery costs, reputation, and effectiveness.
- Non-resident undergraduate enrollment initiative: :This recognizes work underway, led by the Division of Enrollment Management in collaboration with INTO OSU and the colleges, on new international student recruiting (diversifying countries of origin, country-specific discounting, first-year experience for direct admissions) and on recruiting out-of-state U.S. students (identifying key target markets, capacity-based pricing, financial aid strategies, staffing strategies). The initiative assumes growth of 30 students per year over the base case beginning in fall 2022 for a total increase of 270 students over the base case in FY2030. The initiative includes estimates of direct and indirect costs for staffing the enrollment growth
- Transfer student initiative: This recognizes work underway in the Division of Enrollment Management to increase transfer student enrollment including placement of advisors in select community colleges, pricing and financial aid strategies, improvements in transcript evaluation, development of hybrid offerings in Portland, and improved transfer advising and orientation. Some of this effort grew out of the Gateway initiative that was modeled in the FY2018 ten-year forecast. The initiative as modeled assumes growth of 20 students per year over the base case beginning in fall 2022 for a total increase of 180 students over the base case in FY2030. The initiative includes estimates of direct and indirect costs for staffing the enrollment growth.
- Non-thesis graduate enrollment initiative: This initiative is based on work led by colleges and the Graduate School to increase revenue-generating graduate enrollment, particularly in areas where there is existing teaching capacity (degrees like the Master of Engineering or the Master of Science in Business). The initiative assumes growth of 35 students per year over the base case beginning in fall 2022 for a total increase of 315

students over the base case in FY2030. The actual distribution of enrollment might include full-time and part-time enrollment in both degree programs and certificates. The initiative includes estimates of direct and indirect costs for staffing the enrollment growth.

- Professional education initiative: There is a significant opportunity for OSU to deliver more professional education to businesses and working adults. Discussions about this opportunity have identified a strategy to increase delivery of this kind of education through college-based programs (as exist in Business and Pharmacy) with a centrally-based unit delivering support much as Ecampus delivers support and development of online degree programs. This initiative, which aligns with a shift of the focus in Portland to increasing professional education, is in an early stage of development. It is modeled using the growth rates seen early in the development of Ecampus, which took a few years to show significant growth. This kind of education would be delivered as individual courses, many likely for non-credit. It would be measured more in engagements with companies or groups (each having multiple enrollment of employees) than traditional course or degree-based enrollments. The initiative is modeled as growing from about 50 engagements in FY2021 to a little over 100 by FY2030, with net revenues growing from $0.4M in FY21 to $5.3M in FY30.
- Additional Ecampus growth: Ecampus has developed a detailed program development plan for degrees, courses, and certificates. The base case assumes that most of these are built out and delivered. Historically, Ecampus has generally exceeded the forecast revenue growth and this initiative assumes there is a new program identified not in the current plan or that some of the existing programs exceed projected enrollment growth. The initiative is modeled as additional growth at about the size of one of the proposed online programs in business or engineering with 14 students in FY2021 growing to about 650 students by FY2030.

The additional enrollment associated with the initiatives that include enrollment growth is shown as equivalent headcount growth in **Figure 1**.

Principal Conclusions and Areas of Concern

Education and General Operating and Capital

The E&G base case shows steadily increasing revenues through FY2030 (**Figure 2**, top), but expenses that grow more quickly than those revenues. This yields significantly negative operating margins beginning in FY2022 (**Figure 3**, top) with associated declines in fund balance below the Board minimum of 10% (**Figure 3**, bottom). These trends are consistent with the recent Moody's assessment of the economic outlook for higher education described in the overview.

The principal cause of the gap between revenues and expenses is Corvallis E&G operations. Both OSU-Cascades and the SWPS forecasts are generally close to balanced. The leadership team at OSU-Cascades has built a forecast that includes a detailed plan for program development, including new academic programs, necessary faculty and staff hiring, infrastructure development and operations, and all of the other components critical to operating a new four-year campus. Enrollment growth is the most critical component of the budget forecast and meeting enrollment targets in Bend requires investing in faculty and academic programs to attract the desired numbers and mix of students. This means that the OSU-

Cascades E&G operations are forecasted to produce small negative fund balances through FY2021, growing to fund balance in excess of 10% around FY2028. Because the size and number of academic programs is adjusted as annual enrollment forecasts are completed, the operating budgets stay in balance after FY2021. The assumptions of the forecast are such that the SWPS funds maintain a modest fund balance through adjustments to the actual levels of state funding. There are some funds for capital renewal and repair of SWPS facilities around the state from the biennial state bonds to support capital renewal and repair. Other work on those facilities is supported by SWPS unit operating funds or local partners (in the case of Extension).

This means that adjustments to improve the operating forecast need to principally change expense and revenue trends for Corvallis operations. **Figure 3** shows the impact of the six initiatives outlined above. The forecast projects the impacts of the initiatives in development noted above on the financial results of the university. The forecast allows for modest success in a number of areas yielding sufficient net revenue or savings to yield a sustainable operating forecast.

Under reasonable assumptions, the six initiatives are capable of producing operating margins sufficient to maintain E&G fund balances over 10% (**Figure 3**). The "zig-zag" pattern in operating margin reflects increases in PERS rates at the beginning of each biennium (even fiscal years). The large negative operating margins in FY2026 and FY2028 are because of particularly large projected increases in rates, as some of the provisions of recent pension reform legislation expire then. The stress-test scenarios (discussed in more detail below) do push fund balances below 10% for short periods of time (**Figure 4**), but that is part of the strategy in managing those extreme circumstances.

The business forecast includes a capital forecast developed with the assumptions noted above. The IWG recommendations prioritize projects using the criteria noted, yielding a set of projects (**Tables 3 through 8**) that address a number of high priority issues for the university:

- Reduction of the accumulated deferred maintenance through a combination of state funding, OSU revenue bonds, and E&G allocations of capital renewal and repair funds and demolition of facilities beyond their useful life. This investment is an essential part of OSU being able to continue to recruit and retain faculty, staff, and students, as well as meet its environmental sustainability and carbon reduction goals.
- Improvement of core infrastructure supporting academic and support buildings. Projects include improvements to Washington Way, land development at OSU-Cascades, and a new center for Corvallis facilities operations.
- A focus on renovation and renewal of facilities including Cordley Hall, Gilbert Hall, Benton Hall, Withycombe Hall, Kerr Administration Building, Kidder Hall, Langton Hall, and at least three other research buildings. These plans, which place special emphasis on improving the university's research infrastructure, include providing research surge space to allow laboratory groups to be moved while facilities are renovated.
- New construction for facilities that provide state-of-the art research and education spaces that cannot be created through renovation of existing spaces. These include the Arts and Education Complex, the proposed Collaborative Innovation Complex, and Academic Buildings 3 and 4 at OSU-Cascades.
- Improved student services with the construction of a Student Success center and phase 1 of a Health and Recreation Center in Bend.
- Demolition of Snell Hall and the Facilities Services shops.

The debt service, construction, and operating costs of the projects in **Tables 3 and 4** are included in the financial metric analysis discussed below.

Other Funds Operating and Capital

There are no major areas of concern in the forecast for restricted funds and self-supporting funds (**Figure 1**, middle and bottom). The forecast assumes that the Athletics Financial Sustainability Plan will be implemented successfully and that University Housing and Dining Services (UHDS) projects generate sufficient revenues to cover the costs of operating and maintaining the facilities. Projects include new upper-division and graduate student housing, housing in Newport to support Marine Science Initiative programs, renewal of the GEM housing, and renewal and replacement of older housing facilities. There are significant capital renewal projects planned in UHDS, which consume funds that have been set aside for that work. This moves net working capital down in the 5% range in FY2023 and FY2024 after which it grows back as funds are set aside for capital renewal projects after FY2030.

Capital projects for Athletics are assumed to be funded entirely by gifts or other revenues (including some state-issued XI-F debt). Major projects in the forecast include the Reser Stadium West grandstands, the gymnastics building renovation, a field sports building, build-out of softball facilities, and renovations in Gill Coliseum.

Financial Statement Metric Projections

The final component of the ten-year business forecast is a review of long-term trends in OSU's financial metrics. **Figure 5** shows the principal financial metrics from the financial statements from FY2019 (actuals) projected in *Synario* through FY2030. *Synario* uses institution-wide averages and trends based on completed audited financial statements (beginning in 2013 for OSU). It brings together the assumptions in the operating and capital forecasts with other components of the institution's financial statements, including non-cash components, and accounts for revenues and expenses consistent with the GASB accounting requirements that OSU follows. The ratios in **Figure 5** are calculated both with and without the impacts of GASB 68, 71, and 75 as the latter most clearly show the operational impacts of revenue and expense decisions that the university can control.

The projected financial metrics are shown in **Figure 5**. The ratios from the base case without GASB (without the initiatives included) are shown in gray, and the ratios with the initiatives included (also without GASB) are shown in blue. The values for the base case, including both the initiatives and GASB adjustments, are shown in black. The ratios fall within or near most of the preferred ranges, with some exceptions.

Figure 5 shows that the debt burden ratio remains low and the debt service coverage and return on net assets ratios increase then decline as major capital projects in the forecast are completed. The viability and primary reserve ratios improve with time as a result of growing fund balances in self-support units and stable fund balances in E&G. The net operating revenues ratio remains negative (as it has been in recent years) but grows back near zero in FY2023 and FY2024 and then slightly positive by FY2027.

The difference in the ratios with GASB and without GASB are most prominent for the viability, primary reserve, and net operating revenues. For the first two, this reflects the commitment of significant reserves to fund pension liabilities. For net operating revenues, the large swings in

FY2015, FY2016, and FY2017 are from the allocations of pension liabilities and assets made from the state to OSU in those years.

Overall, the ratio projections show that a commitment to funding capital renewal and pursuing the current enrollment initiatives, or similar initiatives that generate net revenue at the same rate, can maintain a healthy financial position for the university. This depends, of course, on the other major assumptions in the forecast remaining reasonable and appropriate.

Selected Scenario Analysis

The forecast provides the tools to investigate potential scenarios and what would be required to address negative impacts on the university's financial position. Three such scenarios were examined.

Corvallis E&G—State Economic Downturn

At some point, a downturn in state economic fortunes is certain. History indicates that in those circumstances it is likely that the public universities will see reductions in state support. The last two economic recessions showed a pattern where the downturn in tax revenues in Oregon and the subsequent recovery lagged the national timing. This translated into flat then reduced state funding starting the year after the onset of the recession and lasting for three years. It then took about five years for funding to return to pre-recession levels. This scenario assumes a major recession beginning in FY2022 that results in an aggregate 18% reduction in state funding to OSU by FY2025. State funding then recovers over the next five years to pre-recession levels by FY2029 (**Figure 4**).

It is assumed the state reduction is to the base case with the six initiatives turned on. With no other changes, adjusting expenditures to keep fund balances at 12% would require reductions in spending of 1.9% in FY2022, 4.5% in FY2023, and then about 2% each year through FY2027. This would keep annual fund balances over 10% but would make such significant reductions that fund balances, once state funding recovered, would be much higher than 15%. An alternative approach is shown in the bottom graph in **Figure 5**. In this case, additional spending reductions of 1% to 2% are made in FY2024, FY2025, and FY2026 and fund balances are used to maintain other programs. This results in E&G fund balances declining to 5% or so in FY2027 but growing back over 10% by FY2029 as state funding recovers. This maintains more programs and people than simply reducing expenses to maintain fund balance.

Corvallis E&G—International Enrollment Reduction

OSU has grown the number of international students studying in Corvallis significantly over the last decade. A major change in the international political and/or economic environment could cause a sudden drop in the number of international students. This scenario models a sudden 40% drop in international enrollments in fall 2021, enrollments staying flat in FY2024, and then growing back over the next five years to reach current projections by FY2028.

The middle graph shows the modeled reduction in total E&G revenues. As in the recession scenario, expense reductions large enough to maintain annual fund balances over 10% yield fund balances much too high once enrollment recovers. Combining the use of fund balance (declining in this case to about 7% in FY2024) with expense reductions of 1% to 2% in FY2023 and FY2024 maintain programs and yield fund balances of 10% again by FY2027 (**Figure 4**).

Corvallis E&G—Expense reduction only strategy to modify baseline case

This scenario explored what would have to happen if none of the revenue initiatives outlined above were successful and the E&G operating budget had to be balanced on expense management alone. A scenario was considered where E&G expense growth (including Corvallis, OSU-Cascades, and the SWPS) is flattened by increments of $6.0M beginning in FY2022 through FY2028 (so $6.0M in FY2022, $12.0M in FY2023, etc. for a total reduction of $42.0M by FY2028). This produces E&G operating statements with fund balances in the 8.2% to 9.4% range in FY2026, FY2027, and FY2028 with balances returning over 10% by FY2029. This is about a 4% overall reduction in the rate of expense growth by FY2030.

2020 TEN-YEAR CAPITAL FORECAST

Background

Oregon State University's 2020 Ten-Year Capital Forecast (capital forecast) describes how OSU will provide — over the period FY2019 through FY2029 — for the physical environment necessary to carry out its mission. Projects in the forecast are sequenced by legislative biennium. Five biennia are covered in this capital forecast: FY2019-21, FY2021-23, FY2023-25, FY2025-27 and FY2027-29.

The capital forecast is integrated into OSU's Ten-Year Business Forecast. An updated ten-year business forecast is reviewed and accepted by the Board of Trustees in January of even-numbered years. In odd years, the capital forecast is updated to reflect proposed projects, sources of funds, and impacts on the ten-year business forecast.

The capital forecast lays out OSU's plans for capital investments based on current and anticipated conditions, needs, priorities, and resources. The capital forecast is guided by SP4.0 and influenced by the ten-year operating forecast and their interrelated impacts as projected in the ten-year business forecast. A broad array of university leaders, staff, committees, programs, and consultants assist in developing the plan. The capital forecast captures OSU's strategies for Corvallis, Bend, Newport, Portland, and the rest of the state.

The IWG is charged by the provost and vice president for finance and administration to develop the capital forecast using SP4.0 as the lens for prioritization.

In support of the IWG process, Capital Planning and Development conducts interviews with every dean and major administrative unit to understand specific infrastructure needs as they translate to strategic initiatives being pursued across the university. The IWG vets, prioritizes, and recommends investments based on their effectiveness in advancing the strategic plan. A preliminary updated capital forecast is prepared for consideration by the vice president of finance and administration and the provost, who make a recommendation to the president for his approval before presenting to the Board for their consideration.[5]

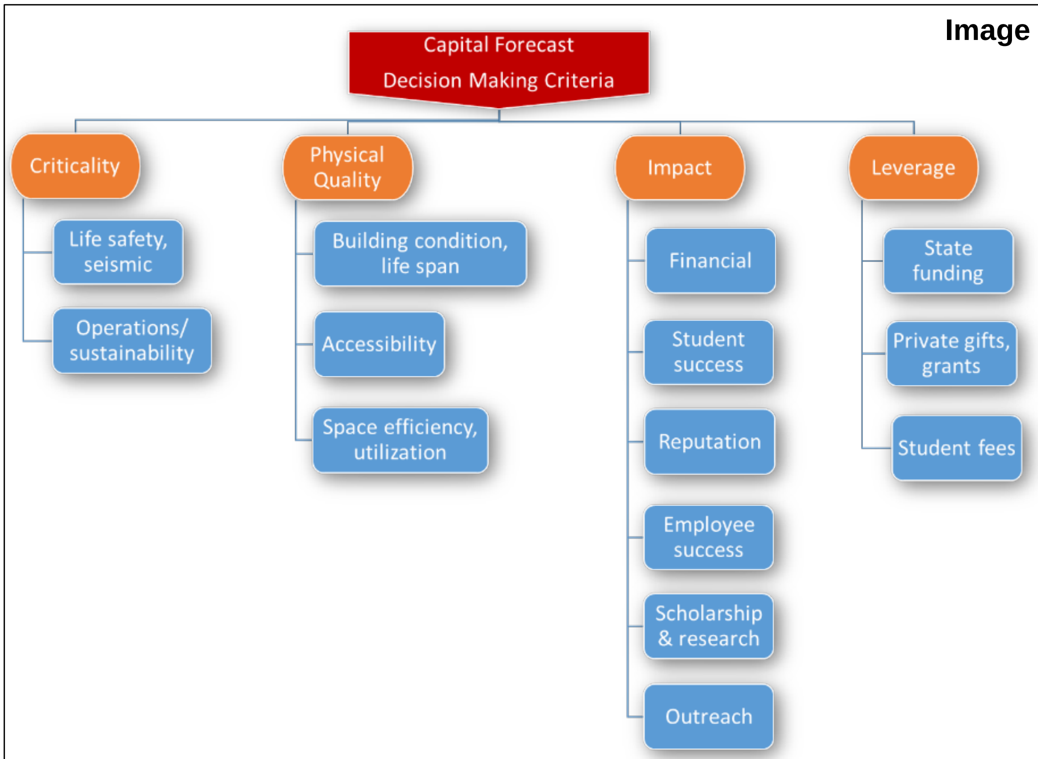
Project Criteria

The IWG evaluates projects for inclusion in the capital forecast using the following criteria as illustrated in **Image 1** below:

- Advancing OSU's Strategic Plan: The proposed projects' contribution to the advancement of SP4.0 and unit strategic plans will be considered. Does the project make a contribution to achieving one or more of OSU's four main goals:
  (1) Preeminence in research, scholarship and innovation;
  (2) Transformative education that is accessible to all learners;
  (3) Significant and visible impact in Oregon and beyond;
  (4) A culture of belonging, collaboration and innovation.

[5] Further details on the process and priorities of OSU's capital forecast can be found at: https://ufio.oregonstate.edu/sites/ufio.oregonstate.edu/files/cap_planning/capital_forecast_dec018.pdf

Image 1



- Criticality: Proposed project's contribution to the life safety (seismic, fire, other potential hazards) of inhabitants/users, and contribution to the sustainability of OSU's environmental, economic and human resources will be considered.

- Physical Quality: Building condition and life span are major factors that are considered when incorporating a project into the capital forecast for renewal or replacement (demolition). The proposed investment is evaluated for its ability to meet university program needs through reuse of existing building space and infrastructure without the need for net new space, or to meet a need for the proposing unit or function that cannot be met through use of currently assigned space. Projects are also evaluated for whether they will remove accessibility barriers.

- Impact: Projects must demonstrate financial viability, including preserving, protecting, and extending the useful life of capital assets, while considering long-term operation and maintenance costs. Student and employee success, reputation, and ability to perform scholarly works and outreach would be enhanced by the investment in the project.

- Leverage: Proposed projects are evaluated on their ability to attract private gifts, grants and state bond funding.

Updates to the Capital Forecast for FY2020

Major emphases in the FY2020 capital forecast are the provision of appropriate quality space on a campus with an average building age of 55 years, the reduction of a deferred maintenance backlog of nearly $650M dollars, and the reduction of the estimated $350M dollars needed for seismic strengthening. Being mindful of the need to ensure financial viability, responsible stewardship, attention to the university's sustainability and carbon reduction goals, and student affordability, overall development of the capital forecast was guided by the following strategies:

- Construct new buildings primarily to replace facilities that cannot be economically renovated or to accommodate programs best suited for new purposeful space, freeing up existing space for reassignment, renovation, repurposing or demolition;
- Renovate existing facilities (including seismic strengthening, accessibility, energy efficiency, and program modernization) where feasible; and
- Replace failing critical systems and enhance accessibility.

The FY2020 capital forecast, presented in **Tables 3 through 8**, details the project names, a brief description, proposed sources of funds and the biennium in which the project would begin.

New buildings/acquisitions and demolitions. Some of OSU's buildings cannot be economically renewed or renovated and are planned for eventual replacement and demolition. The demolition of Weniger Hall, Snell Hall, the Facilities Shops complex, Navy ROTC, and several other minor buildings will eventually remove over $125M in deferred maintenance backlog. Replacement buildings afford the opportunity to accommodate programs in new purpose-designed buildings, allow for modest growth, or create a new opportunity.

Renovations. Many of OSU's older buildings are fully depreciated with every system serving well past its expected life. These buildings can be most economically renewed as a complete building renovation, affording the opportunity for seismic strengthening, comprehensive accessibility, safety and programmatic upgrades. Renovations included in the revised FY2019-29 capital forecast will remove approximately $300M of deferred maintenance backlog.

Infrastructure. While most infrastructure improvement projects will be below $5.0M, there are several projects that exceed $5.0M.

Auxiliaries – University Housing and Dining Services. UHDS and Student Affairs capital projects and minor renewals and projects are funded from their own revenues, donations, or external partnerships.

Auxiliaries – Athletics. Athletics capital projects and minor renewals are primarily funded from gifts and athletics revenue.

Minor Capital – Capital Renewal. To address the backlog of depreciated building and infrastructure systems and deferred maintenance, OSU anticipates receiving between $17M and $22M each biennium from state-paid bonds as Capital Improvement and Renewal (CIR) funds. OSU has also created its own capital renewal fund (E&G CIR) starting with $5.0M in FY2018 with the goal of increasing funding each year until it reaches $45.0M annually. Emphasis on the use of these funds is being placed on research facilities. The FY2020 E&G CIR allocation was $13.0M, an increase of $3.0M over FY2019.

While some E&G CIR funds will be used as component funding for major capital projects, about $175M over the next ten years will be dedicated to minor capital improvements of infrastructure and buildings where the timing of projects is less critical. Priorities for these funds are to address failing or near-failing building systems and infrastructure that will significantly improve the use of a building or the campus. Priority is also given to accessibility improvements such as paths of travel throughout campus, interior barrier removals, and restroom upgrades, as well as safety upgrades such as adding/renewing fire sprinklers, alarms, and/or outdoor lighting.

OSU-Cascades. OSU-Cascades is expanding the Bend campus through reclamation, infrastructure development and new buildings over the next decade to meet student growth projections.

Capital Forecast Details for Corvallis and Newport

New Buildings

- *Arts and Education Complex ($70.0M)* – Constructs a new academic facility that will serve primarily as educational space for performing arts classes, programs, and performances.
- *Campus Operations Center ($26.5M)* – Replaces the deteriorating complex at the south entry to campus, freeing the space for more strategic use (e.g., circulation, parking, and the AEC). This project creates an efficient complex at the edge of campus for university staff who plan, build, repair, and maintain campus buildings, plan and provide parking and transportation, and provide other support services.
- *Collaborative Innovation Complex Phases I and II ($200.0M)* – Formerly included in the plan as two STEM Education and Research Buildings, budgeted at $100.0M in phase I and $100.0M in phase II. The research complex of the CIC, along with the renewal of Cordley Hall are the flagships of the renewal of OSU's aged research infrastructure. These synergistic and state of the art research buildings will enable the eventual demolition of Weniger Hall and the repurposing of Gilbert Hall, as well as the renovation of nearly every aged research building on campus including Burt Hall I, Gilmore Hall, Gleeson Hall, Kidder Hall, Milam Hall, the Pharmacy Building, Wilkinson Hall, and Weigand Hall over the next decade. The CIC will not only propel the renewal of OSU's research enterprise, it will allow for its physical re-organization, as program and priority for the renovations of other older science buildings will be developed to complement the core research capabilities realized with the CIC.

Renovations

- *Cordley Hall Phases II and III ($137.7M)* – Modernizes OSU's largest research facility and spans three biennia. This project will also create a district chiller hub to efficiently and reliably provide cooling to research buildings in the north campus area.
- *Burt Hall II Reconstruction ($8.8M)* - Restores this valuable research facility after it was damaged by a fire in late 2018. The reconstruction will include necessary code and programmatic improvements.
- *Cascade Hall Renovation ($6.5M)* – The west half of Cascade Hall will be renovated to accommodate the Navy ROTC program, as its current home, the old Quonset building, is being removed to make room for the relocation and widening of Washington Way. The Department of Public Safety will have an expanded facility on the second floor to relieve a severely overcrowded existing facility in the much smaller east portion of the second floor.
- *Withycombe Hall East and Withycombe Hall West Renovations ($24.0M and $20.0M)* – Renovations will occur in two phases. The east side will focus on accommodating the Dairy Products Research Center (the remaining component of the former Oregon Quality Foods project concept that did not receive anticipated gifts for the Beer and Wine components). The project will create additional research and education space as theater programs are moved out of temporary facilities in the building to the new AEC. The

projects will make seismic, safety code, accessibility, ventilation, and energy use improvements, as well as renew aged interiors.

- *Community Hall and Gladys Valley Building Renovation ($15.0M each)* – Renews and repurposes two of OSU's oldest buildings. These two projects are slated for the FY2025-27 and FY2027-29 biennia. The space programming and relocation requirements of several coming projects, including AEC, Withycombe, Kerr Seismic, Gilbert, and the CIC, will determine which renovation is needed first.
- *Kerr Administration Seismic Upgrade ($11.0M)* – Strengthens the building seismically without disassembling and rebuilding the interior (similar to the 2009 Nash Hall renovation).
- *Gilbert Hall Repurpose ($50.0M)* – OSU's 90 year old chemistry building cannot be economically renovated as a modern chemistry research building. It will be repurposed as an academic and computational research building.
- *Langton Hall ($45.0M)* – Renews a vital education building for its second century of service to OSU. The facility condition index is low, creating concern for occupancy.
- *Plant Science Innovation Center ($24.0M)* – Replaces (either on site or at a different location) the aged 1928 East Greenhouse complex with a versatile greenhouse facility with automated environmental controls, which will meet the changing needs of our current and future research and teaching programs.
- *Dairy Center Modernization ($18.0M)* – Renewal of the aged 1969 dairy to become a next-generation dairy farm, featuring a robotic dairy barn that incorporates multiple data-sensing and automated systems.

Infrastructure

- *Washington Way Rebuild/Improvement ($24.0M)* – Fulfills a requirement from the city for an upgraded street with bike lanes and offset sidewalks and addresses OSU's interface with the railroad running through the south end of the Corvallis campus with better-defined crossings, corridor fencing, and lighting to improve pedestrian and bicycle safety.
- *PacWave Test Facility ($40.0M)* – Funded in part by a grant from the federal Department of Energy, this at-sea testing facility will evaluate utility-scale ocean wave energy converters with a connection to the local utility grid. Additional external funding will likely be requested by the principal investigator in the College of Earth, Ocean, and Atmospheric Sciences to raise the project to total $70M.
- *Ship Operations Dock Replacement ($5.0M)* – The aged dock facility at the Newport Hatfield Marine Science Center (HMSC) complex will be replaced to accommodate the new research vessel and serve for the next 50 years.
- *HMSC Seawater Infrastructure Renewal ($5.0M)* – Replaces the aged research seawater supply system providing access to high quality seawater needed for a variety of experiments, research, outreach and education.

University Housing & Dining Services and Student Affairs

- *Upper Division and Graduate Student Housing ($50.0M)* – Provides on-campus studio living opportunities vital to attract and retain a growing demographic in Corvallis.
- *Newport Student Housing ($27.2)* – Provides housing opportunities in Newport above the tsunami zone as the Marine Studies Initiative increases education, research, and engagement activities at the HMSC.

- *GEM Housing ($20.0M)* – Evaluating a potential buy-out and renovation of a student residence asset to restore OSU management while adding a housing unit type that broadens the UHDS portfolio.
- *Residence Hall Replacement ($106.6M)* – The first of a series of new residence hall construction followed by demolition of the old asset. Public-private partnership opportunities are being considered.
- *Residence Hall / Dining Center Complex ($151.1M)* – Continues the replacement of aged UHDS assets. Public-private partnership opportunities are being considered.
- *Deferred Maintenance projects in the Memorial Union, Rec-Sports Facilities, and Student Health Center ($5.0M each)* – Three projects targeting aged building systems in student fee-funded facilities.

Athletics

- *Gymnastics Practice Facility – Building Purchase and Renovation ($12.2M)* – OSU will purchase a building at 4100 SW Research Way. Approximately half of the space is leased to two other tenants who will remain and pay rent to OSU. The remaining area will be renovated to serve as OSU's new Gymnastics Practice Facility.
- *Reser Stadium West Grandstands ($175.0M)* – Replaces the aged west grandstands of Reser Stadium and provides seismic improvements. OSU is studying partnering opportunities that could provide for full-year utilization (e.g., medical services, childcare, etc.).
- *Field Sports building ($14.5M)* – Creates much needed logistical support for field sport events and operations, increases gender equity in facilities for [#] of women's sports and provides other amenities for student athletes.
- *Leadership Center ($20.4M)* – Relocates coaches and administration from Gill Coliseum, and provides amenities, services, and support to retain and attract student athletes.
- *Gill Coliseum Basement and Concourse ($22.9M)* – Makes improvements to the venerable and historic coliseum, including fan amenities on the concourse and event levels, and redesigns the basement footprint to improve locker room facilities.
- *Softball Buildout ($8.0M)* – Improvement to the softball field and expansion and improvements to stands and amenities.
- *Goss Stadium Addition ($14.0M)* – Expansion and improvements to the baseball field stands and amenities.

Capital Forecast Details for OSU-Cascades

To meet the State of Oregon's goals for higher education in central Oregon, OSU will expand the Bend campus through land improvements, infrastructure and buildings over the next decade to meet student growth projections of 2,000-2,400 students by 2027.

Land development

- *Land Development Area 2 ($17.5M)* – Continues preparing reclaimed land for further development.
- *Land Development – Innovation 2025 ($26.0M)* – To advance the physical development of the OSU-Cascades Innovation District, Innovation 2025 will include landfill remediation of approximately one third of Area 1 of the former Deschutes County demolition landfill, filling and grading and the construction of utilities and on- and off-site

infrastructure. The site will support the development of future innovation partner buildings and middle-market housing.

E&G buildings

- *Student Success Center Phase 1 ($17.9M)* – Provides space vital for academic success and student retention.
- *Campus Maintenance and Engineering ($2.4M)* – This small on-site maintenance, research and storage space will allow OSU-Cascades to provide specialized space for the Tourism Recreation and Adventure Leadership program and Cascade Adventures, as well as support burgeoning research and engineering programs on-site.
- *Academic Buildings 3&4 ($61.0M and $37.0M)* – Provides academic and research space to meet student and staff growth.

Other Buildings

- *Health and Recreation Center ($34.8M)* – A student-supported center vital to attracting and retaining students.
- *Early Learning Center + K-5 School ($37.0M cost to school district)* – OSU-Cascades is considering master-leasing the land for the potential co-location and development of an early learning center and K-5 school, operated in partnership with OSU-Cascades' undergraduate elementary education and MAT education programs.
- *Innovation District – Partner Buildings and Row Housing ($106.4M)* – The Innovation District will integrate academic programs with industry, facilitate research and student internship partnerships with the private sector, leverage the campus as a natural laboratory, and create a physical environment for private sector industry activity and housing.

RECOMMENDATION

Staff recommend that the Finance & Administration Committee recommend the FY2020-2030 Ten-Year Business Forecast to the Board for acceptance.

Table 1: Key financial metrics based on OSU's audited financial statements. For FY2015, 2016, and 2017, the right-hand column shows the ratios without the cumulative impact of GASB 68 and 71 for comparison purposes. For FY2018 and FY2019 the right-hand column shows the ratios without the cumulative impact of GASB 68, 71 and 75. Shading indicates metrics outside of the board's tolerances without GASB.

Oregon State University - Key Financial Metrics
(Dollar amounts in thousands)

	2015		2015 (w/o GASB impact)		2016		2016 (w/o GASB impact)		2017		2017 (w/o GASB impact)		2018		2018 (w/o all GASB impact)		2019		2019 (w/o all GASB impact)	
Debt Burden:																				
Debt Service [1]	28,570		28,570		33,053		33,053		34,260		34,260		40,610		40,610		62,583		62,583	
Total Adjusted Expenses [2]	898,494	3.2%	951,765	3.0%	1,075,715	3.1%	982,474	3.4%	1,079,182	3.2%	1,039,061	3.3%	1,154,256	3.5%	1,118,919	3.6%	1,216,711	5.1%	1,189,905	5.3%
					range	2.5%-6.5%			range	2.5%-6.5%			range	2.5%-6.5%			range	2.5%-6.5%		
Debt Service Coverage:																				
3 yr. avg. Net Revenue available for Debt Service	61,859		48,409		36,580		49,926		39,966		66,682		17,379		80,976		44,439		85,907	
Debt Service [1]	28,570	2.2	28,570	1.7	33,053	1.1	33,053	1.5	34,260	1.2	34,260	1.9	40,610	0.4	40,610	2.0	62,583	0.7	62,583	1.4
					range	2-4.5 times			range	2-4.5 times			range	2-4.5 times			range	2-4.5 times		
Income Statement Leverage:																				
Debt [1]	452,559		452,559		406,392		406,392		437,560		437,560		540,214		540,214		638,675		638,675	
Revenues	1,062,288	42.6%	1,062,288	42.6%	1,125,370	36.1%	1,125,370	36.1%	1,163,889	37.6%	1,163,889	37.6%	1,277,302	42.3%	1,277,302	42.3%	1,288,449	49.6%	1,288,449	49.6%
					range	30-75%			range	30-75%			range	30-75%			range	30-75%		
Viability:																				
Expendable Net Assets [3]	409,657		430,939		309,478		423,960		324,676		479,279		328,109		520,506		252,698		480,024	
Debt [1]	452,559	90.5%	452,559	95.2%	406,392	76.2%	406,392	104.3%	437,560	74.2%	437,560	109.5%	540,214	60.7%	540,214	96.4%	638,675	39.6%	638,675	75.2%
					range	75%-125%			range	75%-125%			range	75%-125%			range	75%-125%		
Primary Reserve:																				
Expendable Net Assets [3]	409,657		430,939		309,478		423,960		324,676		479,279		328,109		520,506		252,698		480,024	
Total Adjusted Expenses [4]	976,306	42.0%	1,029,577	41.9%	1,154,282	26.8%	1,061,082	40.0%	1,166,407	27.8%	1,126,285	42.6%	1,250,850	26.2%	1,215,513	42.8%	1,278,189	19.8%	1,251,383	38.4%
					range	35%-65%			range	35%-65%			range	35%-65%			range	35%-65%		
Return on Net Assets:																				
Change in Net Assets [5]	105,795		52,524		(13,480)		79,720		58,610		98,731		49,745		85,082		59,560		86,366	
Total Net Assets	1,050,699	10.1%	1,125,253	4.7%	1,381,161	-1.0%	1,402,444	5.7%	1,389,112	4.2%	1,503,595	6.6%	1,437,143	3.5%	1,602,325	5.3%	1,484,158	4.0%	1,684,678	5.1%
					range	0%-8%			range	0%-8%			range	0%-8%			range	0%-8%		
Net Operating Revenues:																				
Inc./(Loss) before Capital & Other	25,295		(27,977)		(101,233)		(8,033)		(21,657)		18,463		(31,516)		3,821		(34,351)		(7,545)	
Operating plus Nonoperating Revenues	1,084,460	2.3%	1,084,460	-2.6%	1,117,523	-9.1%	1,117,523	-0.7%	1,214,223	-1.8%	1,214,223	1.5%	1,288,416	-2.4%	1,288,416	0.3%	1,323,143	-2.6%	1,323,143	-0.6%
					range	0%-6%			range	0%-6%			range	0%-6%			range	0%-6%		

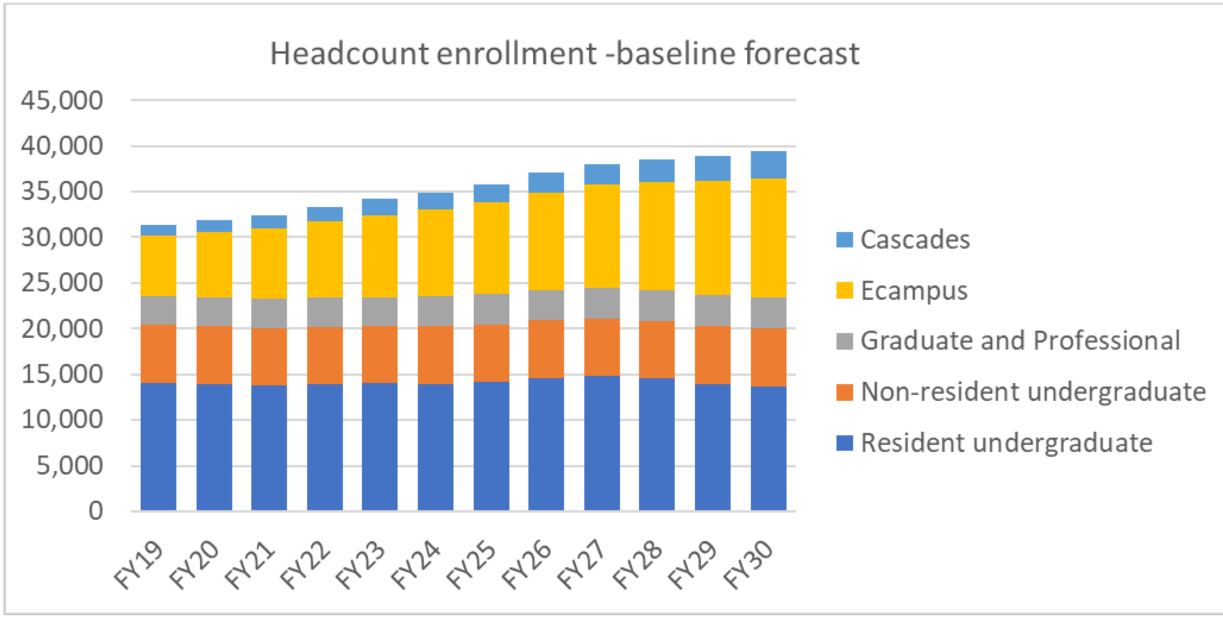
[1] Debt service and debt excludes State paid debt.
[2] Total Expenses: Operating Expenses and Principal and Interest Paid less Depreciation Expense
[3] Expendable Net Assets: Unrestricted Net Assets and Expendable Restricted Net Assets, excluding Capital Projects
[4] Total Adjusted Expenses: Operating Expenses and Interest Expense
[5] Change in Net Assets: Adjusted for Special Item - Change in Entity and Change in Accounting Principle

Table 2. Links to actions identified in Strategic Plan 4.0 (2019-2023) and the FY2020-2030 Ten-Year Business Forecast. The ten-year business forecast takes an institutional-level view of operating and capital needs and the expected trajectories of revenues and expenses (salary growth, capital costs, staffing growth for enrollment, expected benefit increase, potential new programs, etc.). Many of the twenty actions in the strategic plan will be advanced by tactics that require specific decisions at the unit level (which interdisciplinary degree programs to add, which ten faculty to hire, etc.). Those specific actions aren't known now but are represented in the forecast by planning for certain categories of expenditures or revenues and in the assumptions used in the base case and the various initiatives. The base case, the various initiatives, and the capital forecast derive from the goals and actions identified in SP4.0.

SP4.0 ACTION		TEN YEAR BUSINESS FORECAST LINKS
1	Continue building and supporting a diverse, world class faculty	Planning for salary and benefit cost increases to retain faculty, planning for faculty growth with enrollment which will support hiring in key areas, capital forecast strategy to improve, renovate, and expand research spaces.
2	Provide distinctive curricula and support innovative pedagogy suited to our mission and vision	Restoring share of resident Oregon undergraduate enrollment, enrollment initiatives for non-residents, transfer students, professional education and Ecampus.
3	Diversify our research portfolio and strategically build our graduate programs	Slow growth in graduate enrollment in base case, enrollment initiative for graduate professional degrees, continued modest growth in research portfolio.
4	Retool the OSU experience for the 21st century learner	Represented in assumptions about additional costs for support staffing in academic units and administrative units as enrollment increases and types of students diversify. Retention improvements from this action contribute to enrollment assumptions in the base case and enrollment initiatives.
5	Implement an integrated approach to recruiting and enrolling learners at all levels	Core to all the enrollment assumptions in the base case and various enrollment initiatives for Corvallis, Cascades, Ecampus, and professional education. Enrollment assumptions include more diversity of programs (professional education, Ecampus, certificates, etc.).
6	Substantially improve our physical and administrative research infrastructure	Core part of the ten-year capital forecast is an emphasis on renewal and improvement of research facilities. Cost models assume growth in overhead costs to support services for students and for faculty.
7	Increase experiential learning opportunities and ensure access	Contributes to reaching the enrollment assumptions in the base case and the enrollment initiatives. Budget model provides a strong incentive to get students to a degree and experiential learning contributes to that.
8	Expand pathways to an OSU credential	The assumptions in the base case for Ecampus include a variety of new programs. Enrollment initiatives (Ecampus, professional education) assume some part of that growth is from new credentials with a focus on new audiences like adult learners and working professionals.
9	Make strategic investments in interdisciplinary and transdisciplinary scholarship, teaching and engagement	These kinds of programs are one of the vehicles to support actions 1, 2 and 3 (among others), realizing modest growth in the research enterprise, and effecting the various enrolment initiatives. A tactical example is the work planning the Engineering and Design for Society initiative.

10	Integrate inclusive excellence principles and practices into all aspects of the university	Underpins how the university approaches all of the actions and realization of the assumptions in the ten-year forecast.
11	Increase our retention and graduation of students	This action is a necessary part of reaching the assumptions for enrollment in both the base case and the enrollment initiatives.
12	Further internationalize OSU	Enrollment initiative for non-resident students, including international students (graduate and undergraduate) as well as recruiting faculty from around the world. A tactical example is work considering a segmented international pricing initiative.
13	Support interdisciplinary education, research and engagement on healthy ocean and coasts through the Marine Studies Initiative	Enrollment in the base case includes growth in MSI programs at Newport. Operating costs for the new building at HMSC are included in the forecast.
14	Reduce our carbon footprint	A part of many (if not all) of the projects in the ten-year forecast which provides a significant part of the strategy for reaching our long-term carbon goals.
15	Strengthen our support system for innovation and entrepreneurship	Related to actions 3, 6 and 16. Innovation and commercialization, while not explicitly modeled in the ten-year forecast, are part of maintaining and realizing modest growth in the research portfolio and supports action 16.
16	Retool our approach to university-industry and alumni, parent and friend engagement	This relates both to realizing growth in the research portfolio, but also initiatives in professional education growth, and student recruitment and retention
17	Clarify vision, communications and governance guiding our physical and digital footprint	Important support action to realize the capital forecast goals and enrollment goals (recruiting, retention, reputation, etc.).
18	Strengthen alignment within the university among our branding, marketing, communications and public affairs efforts	Assumptions include growth in support expenses but that growth is modest. It is also assumed that expense containment is an ongoing part of management. The work with ABC Insights is helping shape those opportunities.
19	Implement a comprehensive talent management system	This contributes to the expense containment work as well as goals to recruit and retain faculty and staff.
20	Integrate and simplify technology systems, data practices and policies to increase our organizational agility	Part of keeping support growth modest and improving efficiency of operations. Key to success of some of the other actions (research support for faculty for example).

Figure 1: Summary of the enrollment forecasts used in the Ten-Year Business Forecast. *Top*, headcount enrollment for principal student categories. Ecampus and OSU-Cascades include undergraduate and graduate enrollments. Resident undergraduate enrollments in Corvallis peak in FY2027. *Bottom*, incremental headcount enrollment associated with five of the revenue initiatives. The Ecampus and professional education initiatives are credit-hour or program based and will have largely part-time enrollments, so the headcount estimates are approximate.



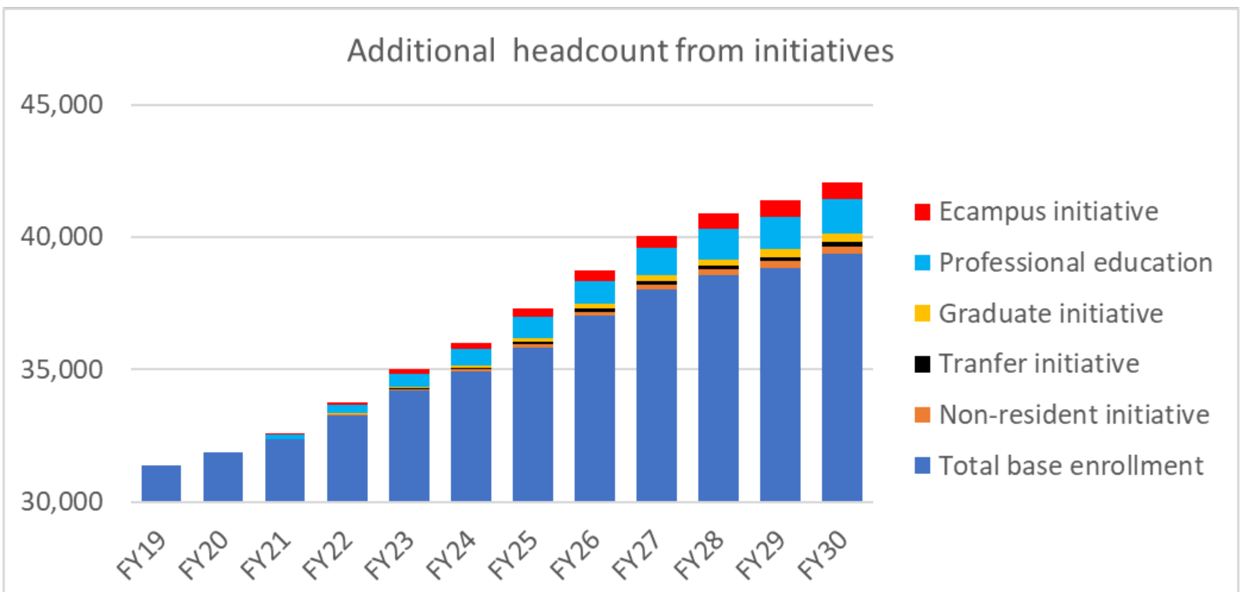
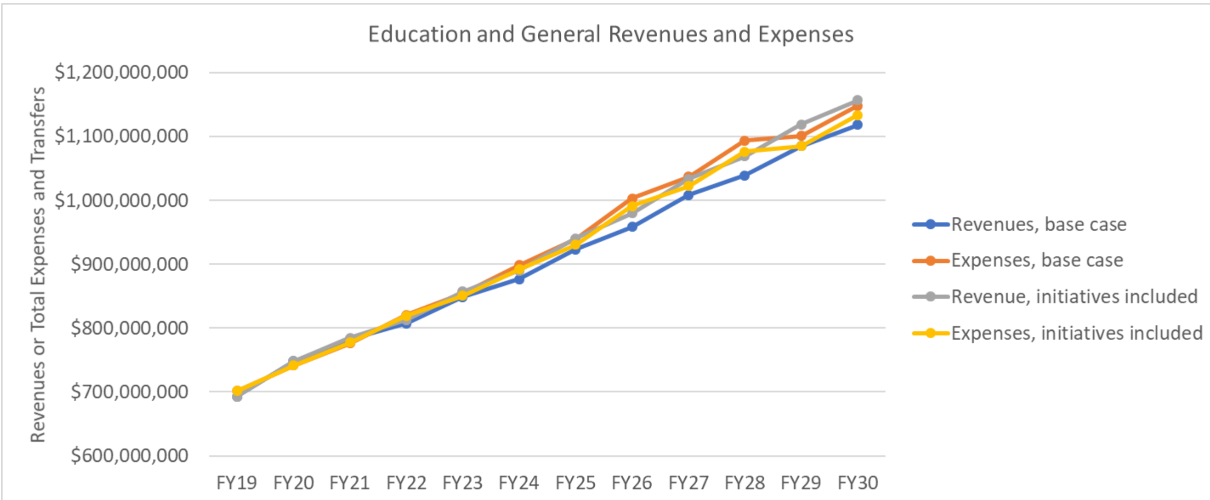
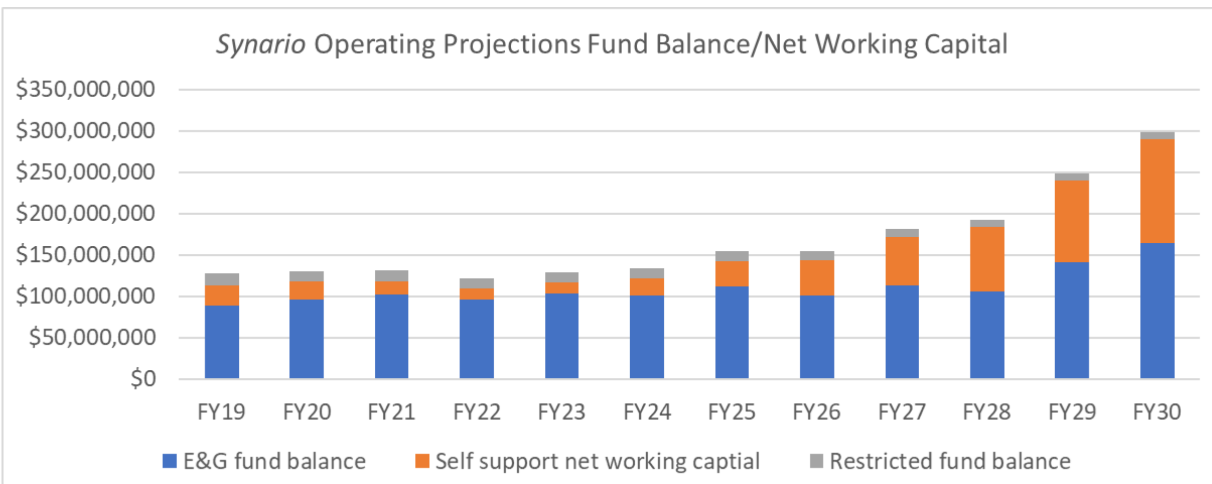


Figure 2: Summary of the Ten-Year Business Forecast for Education and General funds. *Top* is total revenues and expenditures (with net transfers) for the base case with and without the six initiatives. *Middle* shows projected fund balances (with initiatives) for all operating funds, and *bottom* shows ending fund balances (with initiatives) as a percentage of revenues. Trends are discussed in the text.





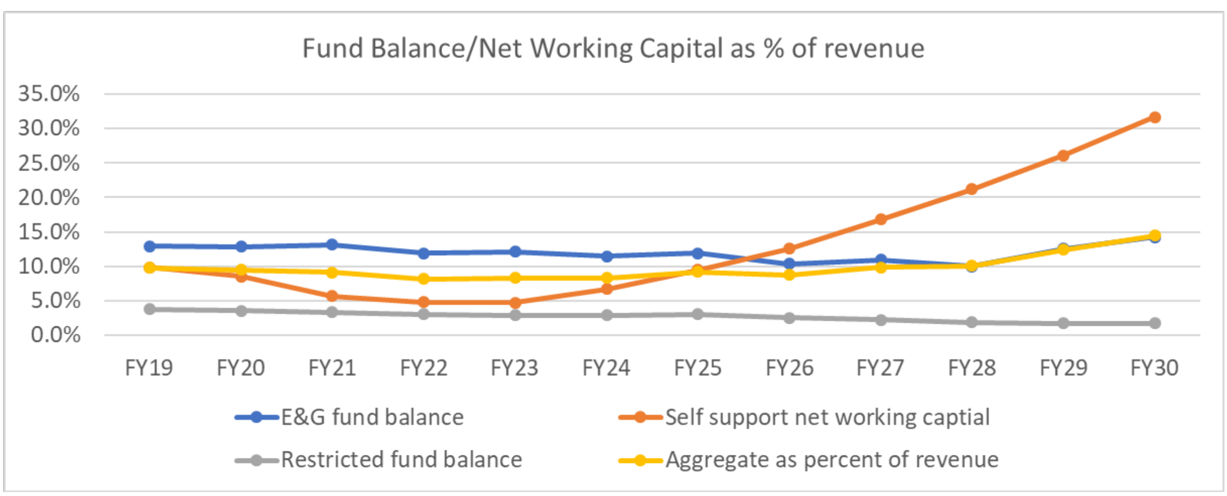
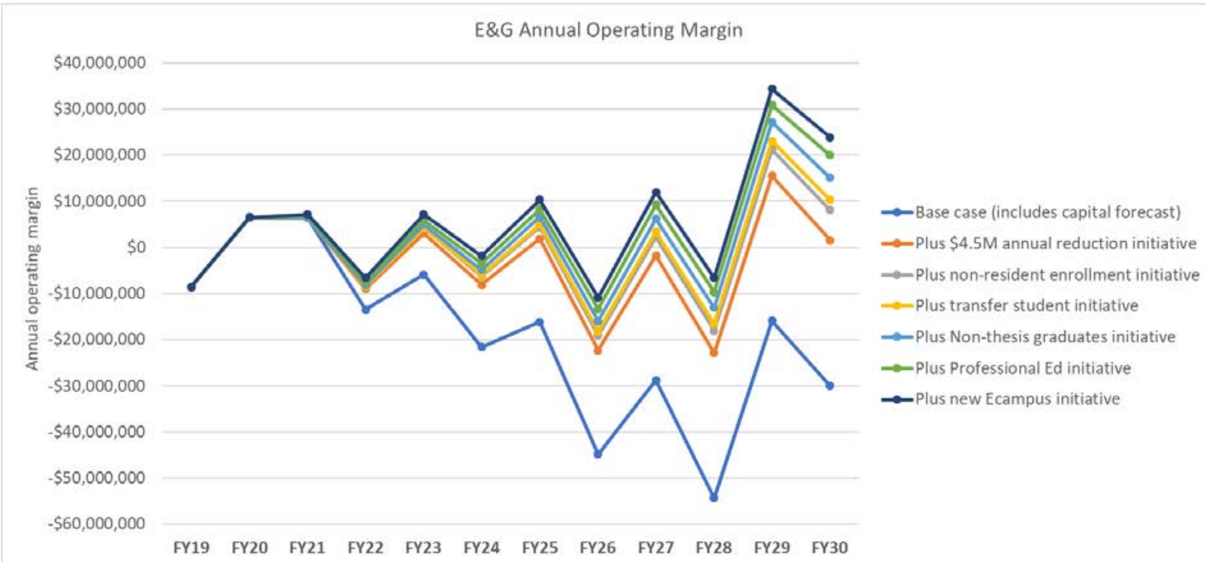


Figure 3: Summary of the Ten-Year Business Forecast for Education and General funds. *Top* shows annual operating margin (revenues less expenses and net transfers), and *bottom* shows ending fund balances as a percentage of revenues. Trends are discussed in the text. The fund balance and operating margins shown are additive from the base case (i.e. all six initiatives added to the base case yield the top black line).



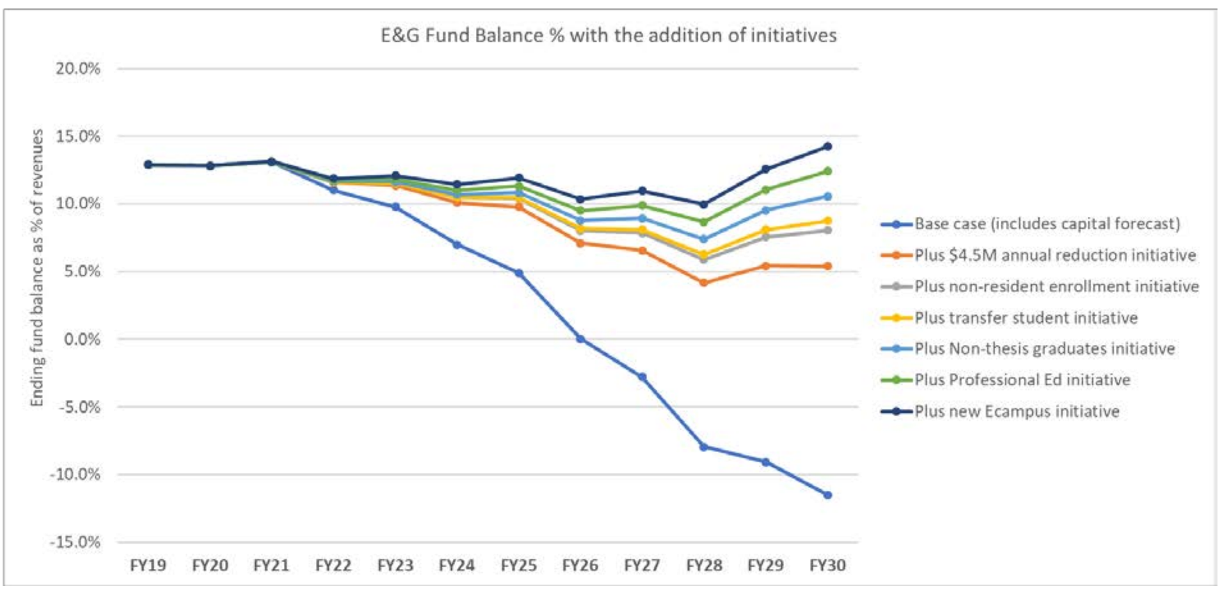
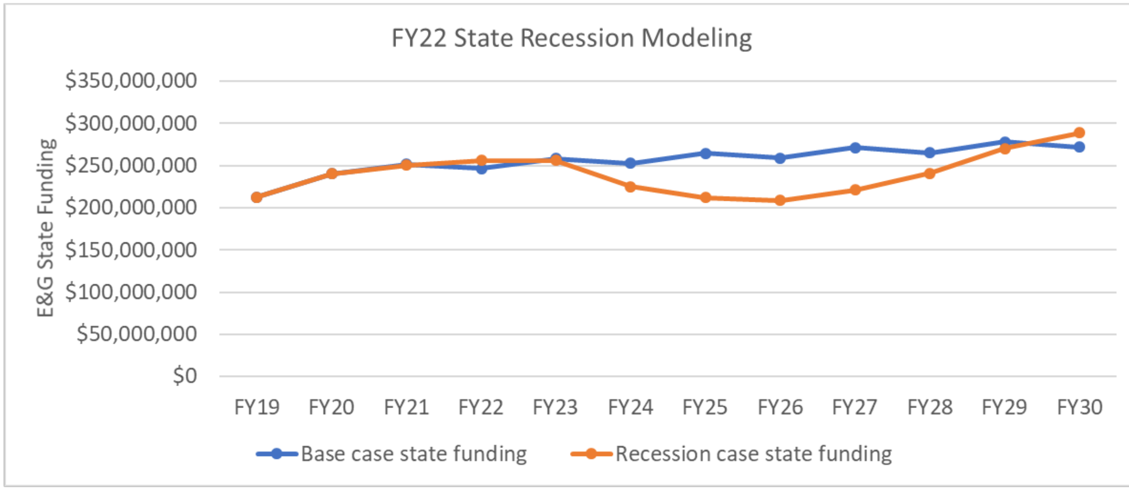
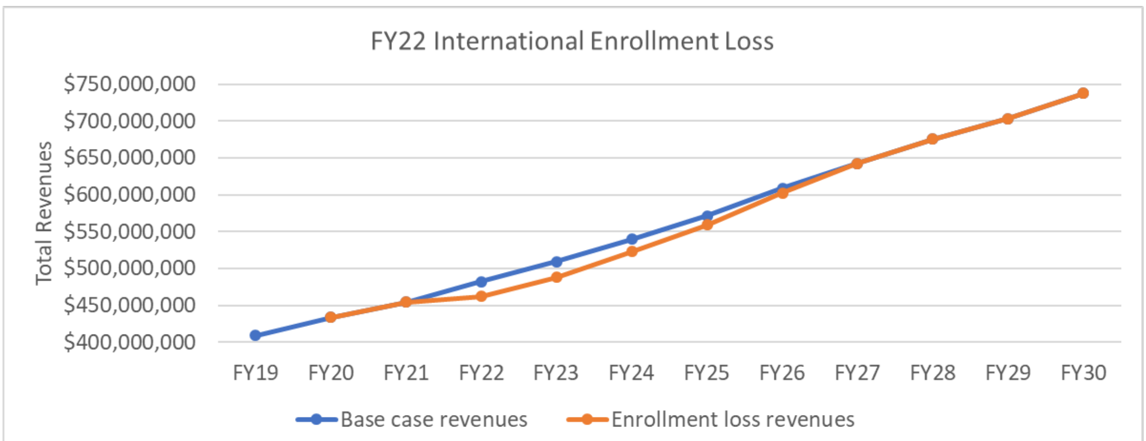


Figure 4: Education and general fund balance trends for the two stress test cases, with the initiatives added to the base case. *Top,* change in E&G state appropriations modeled for a recession beginning in FY22. *Middle,* E&G revenue change modeled for a sudden loss of international enrollment in fall 2022. *Bottom*, trends of fund balance (as total $ and percent of revenues) for one approach to managing the two cases. That approach is discussed in more detail in the text.





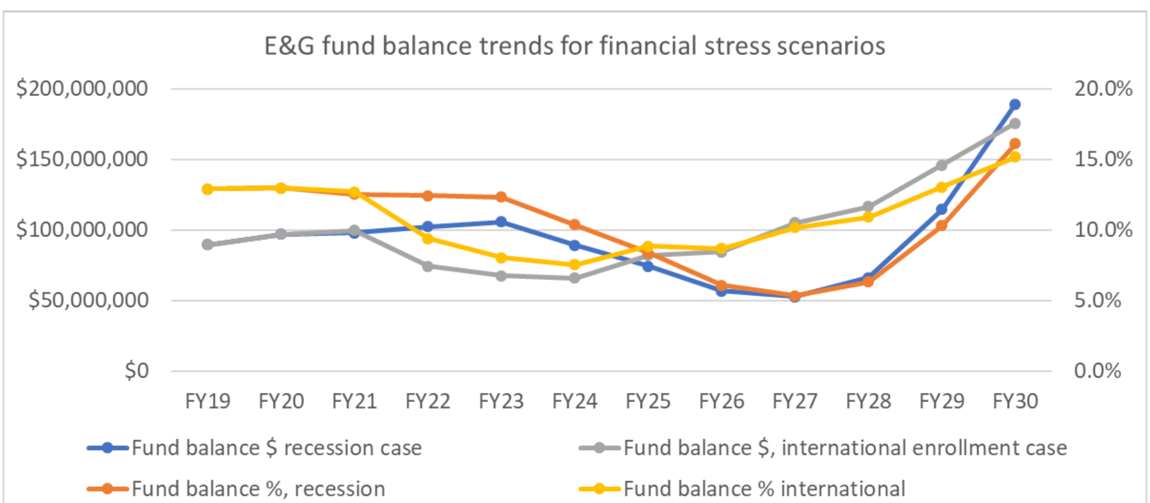


Figure 5: Principal financial metrics from FY2014 projected through FY2030 from PFM's *Synario* software (note that the Debt to Revenues ratio is similar to the Debt Burden ratio and is omitted here). These are based on the baseline scenario with the capital projects identified in the ten-year forecast and the six revenue/expense initiatives included. The ratios noted as "without GASB" exclude cumulative impact of GASB 68, 71 and 75. The baseline only case excludes the six E&G initiatives.

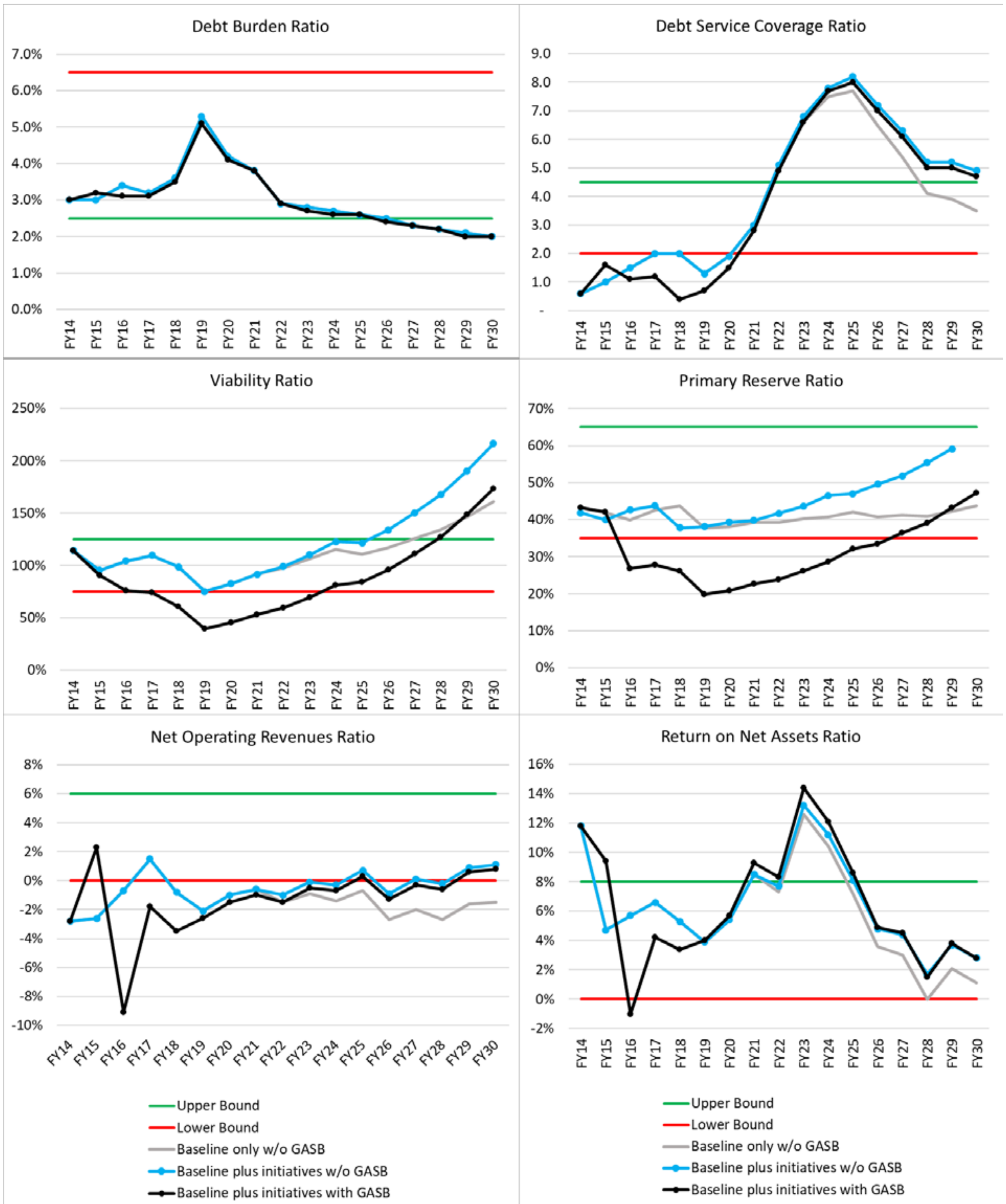


Table 3: FY2019-2029 Capital Forecast for Corvallis and Newport (Education & General)

FY2019-2029 OSU Capital Forecast OSU Corvallis/Newport Major Capital Projects						Sources of funds ($M)					
Project name	Project type	GKSF	FCA	DM removed ($M)	Total forecasted budget ($M)	State-paid Bonds	State-paid CIR	OSU-paid bonds	Pledged gift funds	E&G CIR	Gifts, Partner-ships, Other
2019-2021 Biennium											
Cordley Hall Phase II	Renovation	101	2.70	49.00	59.70	28.00	3.70	-	-	28.00	-
Burt Hall II Reconstruction	Renovation	22	2.95	8.00	8.80	-	-	-	-	-	8.80
Arts and Education Complex	Renovation/new	60	N/A	N/A	70.00	35.00	-	-	25.00	-	10.00
Campus Operations Center(Shops Demo/Restore)	Infrastructure	70	2.24	9.60	26.50	-	3.00	23.50	-	-	-
PacWave	New/infrastructure	N/A	N/A	N/A	40.00	-	-	-	-	-	40.00
Washington Way Rebuild/Improvement	Infrastructure	N/A	N/A	3.00	24.00	-	-	24.00	-	-	-
Cascade Hall	Renovation	15		5.50	6.50	-	3.50	3.00	-	-	-
Total				**75.10**	**235.50**	**63.00**	**10.20**	**50.50**	**25.00**	**28.00**	**58.80**
2021-2023 Biennium											
Cordley Hall Phase III	Renovation	134	2.67	49.00	78.00	30.00	8.00	25.00	-	15.00	-
Colaborative Innovation Complex Phase I (STEM I)	New	100	N/A	N/A	100.00	25.00	-	-	-	-	75.00
Colaborative Innovation Complex Phase II (STEM II)	New	100	N/A	N/A	50.00	-	-	-	-	-	50.00
Ship Ops Dock Replacement ($5M)	Renovation	N/A	N/A	3.00	5.00	-	-	-	-	-	5.00
Withycombe Hall East (Oregon Dairy Products) Renovation	New	45	2,58	9.00	24.00	3.00	1.00	-	-	17.00	3.00
Total				**61.00**	**257.00**	**58.00**	**9.00**	**25.00**	**-**	**32.00**	**133.00**
2023-2025 Biennium											
Colaborative Innovation Complex Phase II (STEM II) (continued)	New	100	N/A	N/A	50.00	50.00					
Withycombe Hall West	Renovation	36	2.58	8.00	20.00	5.00	-	-	-	15.00	-
Kerr Admin Seismic Upgrade	Renovation	88	2.96	7.00	11.00	-	-	-	-	11.00	-
HMSC Sea Water Infrastructure Renewal	Renovation	N/A	N/A	2.00	5.00	-	-	-	-	-	5.00
Snell Demolition/Site Restore	Demolition	88	2.05	43.00	6.00	-	-	-	-	6.00	-
Langton Hall Renovation	Renovation	96	2.64	27.00	20.00	-	-	-	-	20.00	-
Total				**87.00**	**112.00**	**55.00**	**-**	**-**	**-**	**52.00**	**5.00**
2025-2027 Biennium											
Community Hall or Gladys Renovation	Renovation	24	2.56	6.70	15.00	8.00	-	-	-	7.00	-
Langton Hall Renovation (continued)	Renovation	96	2.64	27.00	25.00	-	5.00	-	-	20.00	-
Gilbert Hall Repurpose	Renovation	83	2.68	37.00	50.00	25.00	-	-	-	25.00	-
Research Building Renovation	Renovation	TBD	TBD	20.00	44.00	22.00	-	-	-	22.00	-
Total				**90.70**	**134.00**	**55.00**	**5.00**	**-**	**-**	**74.00**	**-**
2027-2029 Biennium											
Research Building Renovation	Renovation	TBD	TBD	18.00	42.00	27.00	-	-	-	15.00	-
Research Building Renovation	Renovation	TBD	TBD	18.00	42.00	27.00	-	-	-	15.00	-
Community Hall or Gladys Renovation	Renovation	24	2.56	6.70	15.00	-	-	-	-	15.00	-
Plant Science Innovation Center (East GH Repl)	Renovation	28	2.00	20.00	24.00	-	-	-	-	-	24.00
Dairy Center Modernization ($12M)	Renovation	N/A	N/A	5.00	18.00	-	-	-	-	-	18.00
Weniger Hall Demolition	Renovation	211	2.62	55.00	16.00	-	-	-	-	-	16.00
Total				**122.70**	**157.00**	**54.00**	**-**	**-**	**-**	**45.00**	**58.00**
*** Cost are escalated at 5% per year based on 2019 estimates**											

Table 4: FY2019-2029 Capital Forecast for Corvallis and Newport (University Housing & Dining)

FY2019-2029 OSU Capital Forecast University Housing and Dining Services & Student Affairs						Sources of funds ($M)					
Project name	Project type	GKSF	FCA	DM removed ($M)	Total forecasted budget ($M)	State-paid Bonds	State-paid CIR	OSU-paid bonds	Pledged gift funds	E&G CIR	Gifts, Partner-ships, Other
2019-2021 Biennium											
Upper Division/Grad Housing	New	N/A	N/A	N/A	50.00	*project approved in prior biennium				-	-
Newport (MSI) Housing	New	TBD	N/A	N/A	27.18	*project approved in prior biennium				-	-
GEM Housing	Buyout/renovation	N/A	N/A	N/A	20.00	-	-	20.00	-	-	-
Memorial Union Deferred Maintenance Project	Renovation	N/A	N/A	N/A	5.00	-	-	-	-	-	5.00
Rec Sports Deferred Maintenance Project	Renovation	N/A	N/A	N/A	5.00	-	-	-	-	-	5.00
Student Health Center Deferred Maintenance Project	Renovation	N/A	N/A	N/A	5.00	-	-	-	-	-	5.00
Total				**0.00**	**35.00**	**-**	**-**	**20.00**	**-**	**-**	**15.00**
2021-2023 Biennium											
Residence Hall Replacement #1	New	N/A	N/A	N/A	106.60	-	-	-	-	-	106.60
Total				**0.00**	**106.60**	**-**	**-**	**-**	**-**	**-**	**106.60**
2023-2025 Biennium											
Residence Hall/Dining Center Complex #2	New	N/A	N/A	N/A	151.10	-	-	-	-	-	151.10
Total				**0.00**	**151.10**	**-**	**-**	**-**	**-**	**-**	**151.10**
2025-2027 Biennium											
None Programmed											
Total				**0.00**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2027-2029 Biennium											
None Programmed											
Total				**0.00**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
*** Cost are escalated at 5% per year based on 2019 estimates**											

Table 5: FY2019-2029 Capital Forecast for Corvallis and Newport (Athletics)

FY2019-2029 OSU Capital Forecast Athletics						Sources of funds ($M)					
Project name	**Project type**	**GKSF**	**FCA**	**DM removed ($M)**	**Total forecasted budget ($M)**	**State-paid Bonds**	**State-paid CIR**	**OSU-paid bonds**	**Pledged gift funds**	**E&G CIR**	**Gifts, Partner-ships, Other**
2019-2021 Biennium											
Gymnastics Building Purchase and Renovation	Renovation	21	N/A	N/A	12.15	-	-	-	-	-	12.15
Total				**0.00**	**12.15**	**-**	**-**	**-**	**-**	**-**	**12.15**
2021-2023 Biennium											
Reser Stadium West Grandstands	Replace	TBD	N/A	N/A	175.00	-	-	30.00	-	-	145.00
Total				**0.00**	**175.00**	**-**	**-**	**30.00**	**-**	**-**	**145.00**
2023-2025 Biennium											
Field Sports Building	New	N/A	N/A	N/A	14.50	-	-	-	14.50	-	-
Leadership Center	New	N/A	N/A	N/A	20.40	-	-	-	20.40	-	-
Total				**0.00**	**34.90**	**-**	**-**	**-**	**34.90**	**-**	**-**
2025-2027 Biennium											
Gill Coliseum Basement	Renovation	N/A	N/A	N/A	10.00	-	-	-	10.00	-	-
Gill Coliseum Concourse	Renovation	N/A	N/A	N/A	12.90	-	-	-	12.90	-	-
Total				**0.00**	**22.90**	**-**	**-**	**-**	**22.90**	**-**	**-**
2027-2029 Biennium											
Softball Build-Out	Renovation	N/A	N/A	N/A	8.00				8.00		
Goss Stadium Addition	Renovation	N/A	N/A	N/A	14.00				14.00		
Total				**0.00**	**22.00**	**-**	**-**	**-**	**22.00**	**-**	**-**

*** Cost are escalated at 5% per year based on 2019 estimates**

Table 6: FY2019-2029 Capital Forecast for Corvallis and Newport (Minor Projects)

FY2019-2029 OSU Capital Forecast Minor Capital						Sources of funds ($M)					
Minor projects budget allocation category	Project type	GKSF	FCA	DM removed ($M)	Total forecasted budget ($M)	State-paid Bonds	State-paid CIR	OSU-paid bonds	Pledged gift funds	E&G CIR	Gifts, Partner-ships, Other
2019-2021 Biennium											
E&G	Renovation	N/A	N/A	12.80	12.80	-	9.80	-	-	3.00	-
E&G AES (State Wide)	Renovation	N/A	N/A	1.70	1.70	-	1.70	-	-	-	-
UHDS	Renovation	N/A	N/A	N/A	13.00	-	-	-	-	-	13.00
Student Affairs	Renovation	N/A	N/A	N/A	7.60	-	-	-	-	-	7.60
Athletics	Renovation	N/A	N/A	N/A	5.00	-	-	-	1.80	-	3.20
Total				**14.50**	**40.10**	**-**	**11.50**	**-**	**1.80**	**3.00**	**23.80**
2021-2023 Biennium											
E&G	Renovation	N/A	N/A	28.10	28.10	-	9.10	-	-	19.00	-
E&G AES (State Wide)	Renovation	N/A	N/A	1.90	1.90	-	1.90	-	-	-	-
UHDS	Renovation	N/A	N/A	N/A	7.00	-	-	-	-	-	7.00
Student Affairs	Renovation	N/A	N/A	N/A	9.60	-	-	-	-	-	9.60
Pride Center	Renovation	N/A	N/A	N/A	4.00	-	-	-	-	-	4.00
Athletics	Renovation	N/A	N/A	N/A	5.80	-	-	-	5.80	-	-
Total				**30.00**	**56.40**	**-**	**11.00**	**-**	**5.80**	**19.00**	**20.60**
2023-2025 Biennium											
E&G	Renovation	N/A	N/A	38.90	38.90	-	19.90	-	-	19.00	-
E&G AES (State Wide)	Renovation	N/A	N/A	2.10	2.10	-	2.10	-	-	-	-
UHDS	Renovation	N/A	N/A	N/A	7.00	-	-	-	-	-	7.00
Student Affairs	Renovation	N/A	N/A	N/A	7.00	-	-	-	-	-	7.00
Athletics	Renovation	N/A	N/A	N/A	2.05	-	-	-	2.05	-	-
Total				**41.00**	**57.05**	**-**	**22.00**	**-**	**2.05**	**19.00**	**14.00**
2025-2027 Biennium											
E&G	Renovation	N/A	N/A	31.90	31.90	-	19.90	-	-	12.00	-
E&G AES (State Wide)	Renovation	N/A	N/A	2.10	2.10	-	2.10	-	-	-	-
UHDS	Renovation	N/A	N/A	N/A	7.00	-	-	-	-	-	7.00
Student Affairs	Renovation	N/A	N/A	N/A	7.00	-	-	-	-	-	7.00
Athletics	Renovation	N/A	N/A	N/A	4.90	-	-	-	4.90	-	-
Total				**34.00**	**52.90**	**-**	**22.00**	**-**	**4.90**	**12.00**	**14.00**
2027-2029 Biennium											
E&G	Renovation	N/A	N/A	64.00	64.90	-	19.90	-	-	45.00	-
E&G AES (State Wide)	Renovation	N/A	N/A	2.10	2.10	-	2.10	-	-	-	-
UHDS	Renovation	N/A	N/A	N/A	8.00	-	-	-	-	-	8.00
Student Affairs	Renovation	N/A	N/A	N/A	8.00	-	-	-	-	-	8.00
Athletics	Renovation	N/A	N/A	N/A	5.00	-	-	-	5.00	-	-
Total				**66.10**	**88.00**	**-**	**22.00**	**-**	**5.00**	**45.00**	**16.00**

*** Cost are escalated at 5% per year based on 2019 estimates**

Table 7: FY2019-2029 Capital Forecast for OSU-Cascades (Education & General)

FY2019-2029 OSU Capital Forecast OSU Cascades Education and General Fund						Sources of funds ($M)					
Project name	**Project type**	**GKSF**	**FCA**	**DM removed ($M)**	**Total forecasted budget ($M)**	**State-paid Bonds**	**State-paid CIR**	**OSU-paid bonds**	**Pledged gift funds**	**E&G CIR**	**Gifts, Partner-ships, Other**
2019-2021 Biennium											
Student Success Center	New	18	N/A	N/A	17.90	12.90	-	5.00	-	-	-
Land Development - Area 2	New	N/A	N/A	N/A	17.51	16.67	-	0.84	-	-	-
Total				**0.00**	**35.41**	**29.57**	**-**	**5.84**	**-**	**-**	**-**
2021-2023 Biennium											
Campus Maintenance and Engineering	New	N/A	N/A	N/A	2.40	-	-	2.40	-	-	-
Land Development - Innovation 2025	New	N/A	N/A	N/A	26.00	-	-	-	-	-	26.00
Total				**0.00**	**28.40**	**-**	**-**	**2.40**	**-**	**-**	**26.00**
2023-2025 Biennium											
Academic Building 3	New	55	N/A	N/A	61.00	51.70			9.30		
Total				**0.00**	**61.00**	**51.70**	**-**	**-**	**9.30**	**-**	**-**
2025-2027 Biennium											
None Currently Programmed	N/A	N/A	N/A	N/A	-	-	-	-	-	-	-
Total				**0.00**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2027-2029 Biennium											
Academic Building 4	New	28	N/A	N/A	37.00	31.40	-	-	5.60	-	-
Total				**0.00**	**37.00**	**31.40**	**-**	**-**	**5.60**	**-**	**-**
*** Cost are escalated at 5% per year based on 2019 estimates**											

Table 8: FY2019-2029 Capital Forecast for OSU-Cascades (Auxiliaries)

FY2019-2029 OSU Capital Forecast OSU Cascades Auxiliaries						Sources of funds ($M)					
Project name	Project type	GKSF	FCA	DM removed ($M)	Total forecasted budget ($M)	State-paid Bonds	State-paid CIR	OSU-paid bonds	Pledged gift funds	E&G CIR	Gifts, Partner-ships, Other
2019-2021 Biennium											
None Currently Programmed	N/A	N/A	N/A	N/A	-	-	-	-	-	-	-
Total				**0.00**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2021-2023 Biennium											
None Currently Programmed	N/A	N/A	N/A	N/A	-	-	-	-	-	-	-
Total				**0.00**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2023-2025 Biennium											
Health and Recreation Center Phase I	New	N/A	N/A	N/A	34.80	-	-	30.45	-	-	4.35
Early Learning Center + K-5 School	New	N/A	N/A	N/A	37.00	-	-	-	-	-	37.00
Innovation District - Row Housing	New	N/A	N/A	N/A	15.20	-	-	-	-	-	15.20
Total				**0.00**	**87.00**	**-**	**-**	**30.45**	**-**	**-**	**56.55**
2025-2027 Biennium											
Innovation District - Partner Buildings	New	N/A	N/A	N/A	91.20	-	-	-	-	-	91.20
Total				**0.00**	**91.20**	**-**	**-**	**-**	**-**	**-**	**91.20**
2027-2029 Biennium											
None Currently Programmed	N/A	N/A	N/A	N/A	-	-	-	-	-	-	-
Total				**0.00**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
*** Cost are escalated at 5% per year based on 2019 estimates**											