FY2020 Operating Budget

SUMMARY OF PROPOSAL

The Board of Trustees is charged with reviewing and approving the university's annual operating budget. The budget supports the educational, research, and outreach goals of OSU's Strategic Plan 4.0. Figure 1 shows key metrics related to budget planning and outcomes from the distribution of budget.

For the fiscal year July 1, 2019, through June 30, 2020 (FY2020), the university proposes an operating budget (Figure 2 and Tables 1, 2, 3, and 4) with three principal components totaling $1.351B in revenues and $1.348B in expenditures, net transfers, and fund deductions:

- Education and General (E&G) Funds support instructional, research, and outreach work on the Corvallis Campus, on the Bend Campus, and in the Statewide Public Services (SWPS). The revenue budget is projected as $726.7M, with projected expenditures of ($706.4M) and net transfers out of ($20.9M). The projected fund balance change is minus $0.6M, with an ending fund balance of $96.2M.
- Self-Support Funds include Auxiliaries (Athletics, University Housing and Dining Services (UHDS), Student Centers, etc.), Service Centers, Designated Operations, and Royalties. The revenue budget is projected at $257.4M, with projected expenditures of ($249.9M) and net transfers of $0.3M. There are also ($4.0M) in other deductions to unrestricted net assets. Unrestricted net assets are projected to increase by $3.2M, for ending unrestricted net assets of $24.4M.
- Restricted Funds include expenditures from externally funded grants and contracts and gift expenditures from the OSU Foundation and other entities. Revenues and expenses are consistently at or near balance in these funds as expenditures are limited by revenue. FY2020 revenues are projected to be $367.1M, expenditures ($364.6M), and net transfers at ($2.1M).

BUDGET CONTEXT

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

- Preeminence in research, scholarship, and innovation;
- Transformative education that is accessible to all learners;
- Significant and visible impact in Oregon and beyond; and
- A culture of belonging, collaboration, and innovation.

These goals guide decisions about developing and distributing budget to academic units, service and support units, and long-term strategic investments like capital and fundraising.

FY2020 has more challenges and uncertainties than has been the case in recent years. Flat to modest increases in state funding, declining domestic enrollment, mandated benefit cost increases, increased competition for international students, and the need to make significant commitments to capital renewal and capacity for private fundraising combine to grow expenses at a rate that exceeds growth in revenues.

The budget plan proposed here balances needs to support and maintain the staff, faculty, and facilities that have been developed over the first three phases of the strategic plan; meet mandated increases in retirement benefits, health benefits, and institutional insurance; and make continued investments in the OSU Foundation and the ten-year capital plan. This includes new revenues and new allocations, but also proposed reductions in personnel and spending for services and materials to keep the university fiscally sound.

EDUCATION AND GENERAL FUNDS

E&G Funds support Corvallis academic and support operations, OSU-Cascades academic and support operations, and the operations of the SWPS. Flattening enrollment trends, increased competition for international and non-resident students, and significant increases in rates for PERS and PEBB require reductions in projected expenses at Corvallis and the SWPS and slowed rates of program development at OSU-Cascades.

Strategic Intent

There are a number of important strategic choices in the proposed budget, as well as support for the people and programs that OSU has built over the last several years. These include:

- Making investments to continue the growth of the Bend campus, including the addition of new faculty and planning for the next phases of campus growth.
- Providing support for growth in the College of Engineering and the College of Business and some bridge funding in certain academic units to continue the implementation of the new Corvallis budget model.
- Budgeting the third increment for capital renewal in Corvallis of what will eventually be a $45M annual commitment to capital renewal and repair projects to address deferred maintenance issues and ongoing depreciation costs. The allocation this year is proposed at $3M.
- Aligning the work of the SWPS units with available state resources to try to maintain as much of the current services as possible, since there are stakeholders throughout the state depending on that expertise.
- Funding a mid-year salary increase for unclassified staff (as well as funding existing contractual obligations to represented staff) as well as increases in mandated retirement benefits.
- Providing increased support for the OSU Foundation and Alumni Association as planning is completed for the next capital campaign.
- Seeking efficiencies in spending for services, supplies, and consultants through a proposed spending reduction to levels 1% below those in the current year, except contractually mandated increases (as for IT and software systems) or new building operations.
- Distributing the final increment of increased support for Athletics from the Corvallis E&G budget, as part of the financial sustainability plan for Athletics and to maintain the significant contribution that a successful Division I program makes to the university and the community. This will bring the total E&G commitment to Athletics to $8.0M annually.

- Pursuing continued implementation of the Corvallis budget model and continued work on engaging colleges in enrollment planning, program development, and recruitment as the basis for supporting all aspects of OSU's mission.

Revenues

The total revenue growth in E&G funds is projected to be 4.3% or $30.0M ($1.9M in the SWPS, $11.76M for Outdoor School, and the balance at Corvallis and OSU-Cascades). Nearly all of the revenue increase other than Outdoor School is from growth in tuition revenues, much of it from enrollment in Ecampus ($11.8M). The projections for tuition revenue include an additional commitment of $3.3M in institutional financial aid.

The revenue projections for state appropriations assume a $40M biennial increase to the Public University Support Fund (PUSF), a 5.6% biennial increase to the three SWPS programs, an $11.8M increase to Outdoor School (which are largely pass through funds), and flat funding for state programs at OSU including the Engineering Technology Sustaining Funds (approximately $7M annually), Oregon Climate Change Research Institute, Institute for Natural Resources, Ocean Vessels Research, Signature Research Centers, Fermentation Science, OSU Marine Energy Center, and OSU-UO TallWood Design Institute.

Expenditures and Net Transfers

Total E&G expenditures are projected to increase 3.9% or $26.3M (increase of $1.6M at OSU-Cascades, $3.2M in the SWPS, $11.1M in Corvallis, and the balance in Outdoor School). The largest driver of the expense changes are personnel costs (77% of total expenditures). The increases come from increased benefits costs, salary increases, and staffing growth needed to address enrollment growth in Ecampus and some university programs. Projected transfers out total ($24.6M) and transfers in total $3.7M. The total change in fund balances is projected at minus $0.6M for an ending fund balance of $96.2M or 13.2% of revenues.

The budget challenges because of low and uncertain state funding vary across the three funds. The 5.6% biennial increase for the SWPS will not be sufficient to maintain all current staff and programs. The directors of the Agricultural Experiment Station, the Forest Research Laboratory, and the Extension Service continue to work with stakeholders to secure support sufficient to at least cover continuing service level costs. The budget in Table 5 does not assume that additional support and reduces expenses as necessary through services and supplies and personnel reductions.

OSU-Cascades continues to grow, but enrollment growth depends on continuing to add and expand academic programs to serve the needs and interests of students. The projected expenditures for FY2020 include growth in engineering science, computer science, math, statistics, and academic administration. Faculty hires in kinesiology, psychology, human development and family sciences, and environmental science have been delayed. Student success support programming for student activities, career counseling, and enrollment management have had to be postponed as growth in state funding has not kept pace with original projections. OSU-Cascades started the biennium underfunded in comparison to Oregon's other technical and regional universities (TRUs). The consequences of slow or declining growth in state funding are slower development and continued underinvestment in academic and student retention programs in Bend, while for Corvallis and the SWPS they require reductions of existing programs.

The largest portion of expenditures is on the Corvallis campus (77% of $706.4M). Personnel service expenditures are projected to grow 2.8% ($14.5M) after planning for cost reductions discussed below. The costs for services and supplies and capital outlay are projected to also have growth of 1.3% (excluding the pass-through spending associated with Outdoor School). While there are inflationary increases in general supplies and contractual increases in custodial services, software licensing, insurance, utilities, and similar obligations, these are offset with targets for reducing the growth in spending in these categories. Most of the increase in personnel services costs is due to salary and benefit increases for current unclassified faculty and employees and classified staff[1].

E&G funds in Corvallis show net transfers out of ($20.9M). This includes a commitment of an additional $0.8M for Athletics and $3M for capital renewal funding over FY2019.

The expense planning required identifying reductions of about $18M in projected spending in Corvallis E&G operations. This is an increase over the $12.7M budget gap discussed at the April 2019 Board meeting (Figure 3). There have been two significant changes since then. First, the preliminary estimate of FY2020 insurance rates from the broker for the university insurance trust estimated a $3M increase in OSU's share of insurance, principally driven by property insurance. This is over a 250% increase. Second, deposits for May 1 showed a slightly larger than expected number of resident freshmen, but significantly fewer non-resident freshmen than projected. Revisions of the tuition forecast showed total non-resident undergraduates down 0.9% instead of up 1.7% and resident undergraduates down 3.7% instead of 4.1%. The net result of these changes was a decline in forecast tuition revenues of $2.2M. The insurance rates have not gone out to bid yet and enrollment management is working with colleges on both transfer students and non-resident undergraduates to improve the new student yield. However, to plan conservatively, the $18M gap between revenues and expenses (which include continuing service level increases and strategic commitments) has been used to develop the operating budget proposal for Corvallis in Tables 1 and 4.

The principal parts of the reduction strategy are:

- Reductions or deferrals of new strategic commitments, based on immediate needs of units, the state of detailed planning for expenditures in programs, and the strategic imperative of the commitments. These include:
    - Reduction of the capital renewal increment this year from $5M to $3M, in part because the full $15M budgeted is not projected to be spent in FY20.
    - Reduction of the budgeted increment in debt service from $2M to $0.5M. The intent was to spread the increment in debt service as projects using the recent $140M bond sale were completed evenly to avoid large increases in a single year. However, there will not be a significant increase in debt service from FY2019 to FY2020 so these increases can be delayed.
    - Reduction of the planned $1.2M increment to the OSU Foundation and Alumni Association by $0.6M. While staffing for the campaign is important, the current budget pressures are extreme.
- Targets for significant reductions in services and supplies spending. This includes:

[1] These include negotiated salary increases for represented staff, an estimated 5% increase in health insurance costs, state mandated increases in rates for retirement programs, the full year costs of the 3% mid-year unclassified staff raise in January 2019 and up to a 3% increase for unclassified staff planned for mid-year 2019-20, with final decisions pending legislative funding decisions and outcomes from current bargaining.

  - An initial overall spending reduction target of 1% below FY2019 levels with addbacks for contractual obligations (IT contracts, software contracts, etc.) and for operational costs of new buildings (net savings of about $2.8M).
  - Elimination of part of the distribution of interest earnings to non-E&G units (this is technically a revenue to E&G but offsets other costs, about $0.5M)
  - Reduction of some payments to non-E&G units (about $0.25M)
  - Reduction in FY2020 fee payments to INTO and INTO-OSU based on projections for international students (about $0.5M)
  - Release of some central commitments that are now complete or that were held in reserve for investments in various strategic initiatives (about $1.6M).
- Reductions of $8-$9M in net personnel expenditures, distributed across units and position level. These would be implemented where possible by managing position vacancies. Based on the current distribution of positions, this would include principally unclassified positions (about 60 FTE), but also some classified positions (about 15 FTE), and some E&G funded graduate assistants (about 20 0.49 FTE appointments).
- Some support units with particular strategic importance across all academic programs (e.g., library, facilities operations, etc.) may be provided add-backs as the consequences of reductions are assessed to operations across campus.

Specific unit level budgets have not yet been assigned. Based on the overall distribution of expenses, of the anticipated $18M of expense reductions, $4.1M (23%) is from reduced new central commitments; $5.5M (31%) is from service, support, or management units; and $8.3M (46%) is from academic colleges and centers. Of the distributions other than the reduced central commitments, 60% are from academic colleges and centers, which is about the distribution of total budget to those units.

Uncertainties, Issues, and Opportunities

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

The state of Oregon made significantly larger investments in the seven public universities in the 2015-17 and 2017-19 biennia, but the proposed funding for 2019-21 is relatively flat. This flat funding is occurring despite significantly increased costs for retirement benefits and health care costs.

Nationally, enrollment is flattening as the traditional college-age population growth slows. Freshmen enrollments in Corvallis were down in fall 2018 for both residents and non-residents. The loss of those students is partly offset by continued growth in Ecampus revenues, but the rate of increase in Ecampus is slowing. There is increased competition for resident Oregon students due to Oregon's version of free-community college, the Oregon Promise, and as all seven public universities compete for fewer students.

Recruiting non-resident students is becoming more difficult. Nearly all public universities are seeking more U.S. students from outside the institution's home state and the competition for those students is intense. International recruiting is more competitive, as there are many more institutions, countries, and for-profit companies seeking those students. The national political climate has created uncertainty for some international students considering studying in the U.S and there are more alternatives for students now in other countries.

The federal funding environment remains volatile and impacts research funding, financial aid funding, and the costs of compliance with expanding federal mandates. Federal funding most directly impacts the Facilities and Administrative (F&A) costs paid by grant funds and the formula funds that support the three SWPS programs. Each has some jeopardy in the long-term budget vision laid out by the executive branch, and so will bear close watching over the next several months.

OSU-Cascades Issues

OSU-Cascades faces the same enrollment environment and is also recruiting more non-traditional students as a portion of enrollment than Corvallis. The needs and expectations of those students are not necessarily the same as for traditional first-time, full-time freshmen.

The forecast for fall 2019 enrollment remains strong for Bend. The principal jeopardy for the campus is an unexpected shortfall in enrollment, which would require further curtailing the rate of growth of new programs.

An increase in state funding over the $40M co-chairs' recommendation would provide some additional state support for OSU-Cascades. Though any such increase is expected to be small, it would provide some additional fund balance, which would help with faculty recruitment and any costs associated with planning for campus development.

Statewide Public Services Issues

The SWPS are facing a particularly challenging year. The co-chairs' budget provides only a 5.6% biennial increase (about 2.7% per year or $7M over the biennium), which is significantly less than the total projected costs of mandated personnel increases. The SWPS are also facing the same increases in PERS and PEBB costs as are other units and have the same salary rate increases as other E&G units. The SWPS budgets are funded more than 60% by the state, so slow growth in funding combined with greatly increased personnel costs will result in reductions in staffing and services to stakeholders.

The degree of those program and personnel changes depends nearly entirely on the final level of state funding, which is both the chief threat and the chief opportunity for all of the SWPS. A diverse group of stakeholders, the leadership of the three SWPS programs, and the Government Relations office are working to increase the allocation before the close of session. The SWPS have continuously delivered a strong return on investment in supporting and expanding rural economies and non-traditional learners and in driving innovation in ways not reached through any other institutional programs. Continuing to expand and adapt that work to serve the needs of the state's communities is central to the SWPS mission.

Corvallis Issues

Corvallis needs to reduce projected spending (including new initiatives) by about $18M to fit with revenue projections that include slow growth in biennial budgets from the state, tuition increases under 5%, declining enrollment in Corvallis, and slowing growth in Ecampus. The principal strategies for approaching those reductions were discussed above.

The principal threat to the operating budget as proposed is that enrollments realized in fall are less than the revised projections. It is possible the university may also see unexpected cost increases deriving from negotiations with the faculty union. In that case, the approach would be to:

- Use a $3M contingency fund to offset the miss in enrollment. This would require using fund balance for any additional emergency spending or commitments during the fiscal year.
- Use fund balance to offset revenue losses down to a projected fund balance of 12.5% (about $5.8M)
- Distribute any shortfalls beyond those amounts as additional expense reductions.

There are two principal opportunities for revenues, beyond what is projected here, which would reduce the size of the expense reductions required. These are an increase in state funding above the $40M case and an improvement in yield on new freshmen and transfer students. There is some reason to be optimistic on both fronts. If additional revenues are realized, those funds will be used to offset some of the consequences of the budget reductions outlined above and to maintain investment levels in strategic initiatives, and to invest in high priority enrollment and student success efforts:

- Expand commitment for Bridge to Success scholarship program and completion grants and other student retention efforts, including supporting transfer and first-generation students.
- Use the first $1M as an emergency fund to backfill critical positions or services (library subscriptions, essential teaching positions, critical support personnel). These would be for one year and requests for continuation would be part of the FY2021 budget planning.
- Use a portion of the increase to augment the Corvallis budget allocation model to help colleges manage personnel cost increases.
- Make high-priority investments in enrollment management (staff in critical markets, improved systems or materials, etc.)
- Augment the projected ending fund balance at OSU-Cascades to provide additional reserves for planning and project management.
- Fully fund the $1.2M increment to the OSU Foundation and Alumni Association to build capacity for the next campaign.
- Restore any centrally funded graduate scholarships or fellowships reduced as a result of the budget reductions.
- Fully fund a $2M increment in debt service to ease the pressures on the FY2021 budget.
- Fully fund the $5M capital renewal increment to ease pressure on the FY2021 budget.
- Fund enrollment initiatives proposed by colleges, particularly in Liberal Arts, Public Health and Human Sciences, and Science.
- Fund high priority needs in research support services.
- Support completion of key long-term planning studies including semester conversion, Ecampus pricing, cost of activities studies, and operational efficiencies

SELF-SUPPORT FUNDS

Self-Support Funds (Table 2) include the operations of the Auxiliaries (Athletics, UHDS, Student Centers, Student Health Services, Parking Services and other smaller units); Service Centers (Telecommunications, Network Services, Motor Pool, Printing and Mailing, and others); Designated Operations; and expenditures from royalty funds.

Self-Support Funds, in aggregate, are projecting a gain of $7.5M in operations. This reflects significant improvement in the operating margins in Athletics and continued strong performance in UHDS. Net transfers total ($0.3M) and other changes in net assets (these include principal payments to debt and capital outlay) are projected at ($4M), for a total increase in unrestricted net assets of $3.2M. Ending unrestricted net assets are projected to be $24.4M or 9.5% of revenue.

Strategic Intent

Self-support operations provide a variety of essential services to students, faculty and staff, and stakeholders and alumni in the community. While in the long-term, self-support operations need to have revenue sufficient to maintain balanced operating budgets, there are circumstances when there are strategic reasons for a self-support operation to operate at a loss for a period of time.

Athletics has made a great deal of progress toward a balanced operating budget, despite significant challenges created by changes in federal tax law and challenges with season ticket sales for football. Operations may still operate at a small deficit, depending on final ticket sales, but the trajectory is reasonably close to that expected in the Athletics Sustainability Plan.

Revenues

Fees and sales and service income are both up, largely due to changes in rates, as enrollment is expected to decline somewhat. Overall revenues are expected to increase 4.6%.

Expenditures

The principal expenditure increase is for personnel services, as was the case for E&G budgets. This includes planning for a 3% salary increase and significant increases in retirement and medical benefits. Growth above those costs includes some staffing in UHDS (related to services at both campuses), and some staffing changes and contractual commitments in Athletics.

Transfers out are down significantly because there are fewer transfers to plant funds for capital repair and renewal as a large number of projects were funded in the FY2019 budget.

Uncertainties, Issues, and Opportunities

Many of the revenue streams for the self-support operations depend on enrollment, so are somewhat uncertain until later in the summer when enrollment for fall 2019 is better known. Enrollment is critical for UHDS, which is particularly impacted by any declines in the freshmen class enrollment and for the student fee funded units.

While most self-support units are operating near balance, Athletics is projecting an operating deficit for FY2020 of $2.7M. This is a decline from the $8.0M ending deficit projected for the current year. Current leadership in Athletics has revised the ticket sale operations and is exploring ways (with other Pac-12 institutions) to respond to the tax law changes that have impacted traditional season ticket sales. Athletics leadership continues to work with the OSU Foundation and university leadership to implement the principal recommendations of the Financial Sustainability workgroup to reach a balanced operating budget.

RESTRICTED FUNDS

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

Strategic Intent

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

Successful competition for federal research awards requires suitable facilities and instrumentation. The E&G investments in a capital renewal fund will directly impact the quality of research (and other) facilities and support the long-term success in research funding. OSU's faculty members at all locations continue to be extremely successful in securing competitive grant and contract funding.

Likewise, successful development of scholarship and gift funds requires an investment in OSU's fundraising and alumni network infrastructure. The university has committed to additional E&G support for the OSU Foundation and the Alumni Association, as the university plans for the next capital campaign.

Revenues

Some growth (1.7%) is projected in restricted funds, with some increased federal grant and contract expenditures from awards made in the current and previous year (including funding for a third research vessel), which will be spent during FY2020, and growth in expenditures from the OSU Foundation, Agriculture Research Foundation, and gift funds. State funds are assumed to grow about 2% but are the smallest portion of the revenues. The budget includes funding for three ships in the Regional Class Research Vessel (RCRV) project that is being run by OSU. The awards for the third ship have been made to OSU and there will be an update to the revenue and expenditure projections for federal funds in the FY2020 first quarter report, once we are more certain on the timing of contract commitments.

Expenditures

Expenditure increases reflect the increased grant revenue, with those revenues spent on personnel services and services and supplies as well as expenditures in support of ship construction. Transfers out from restricted funds are principally to plant funds for renovation and construction

Uncertainties, Issues, and Opportunities

The principal uncertainty in restricted funds is the direction of federal priorities for research and the level of funding for those priorities. OSU helped secure a significant commitment for national oceanographic research with the funding of the third regional class research vessel.

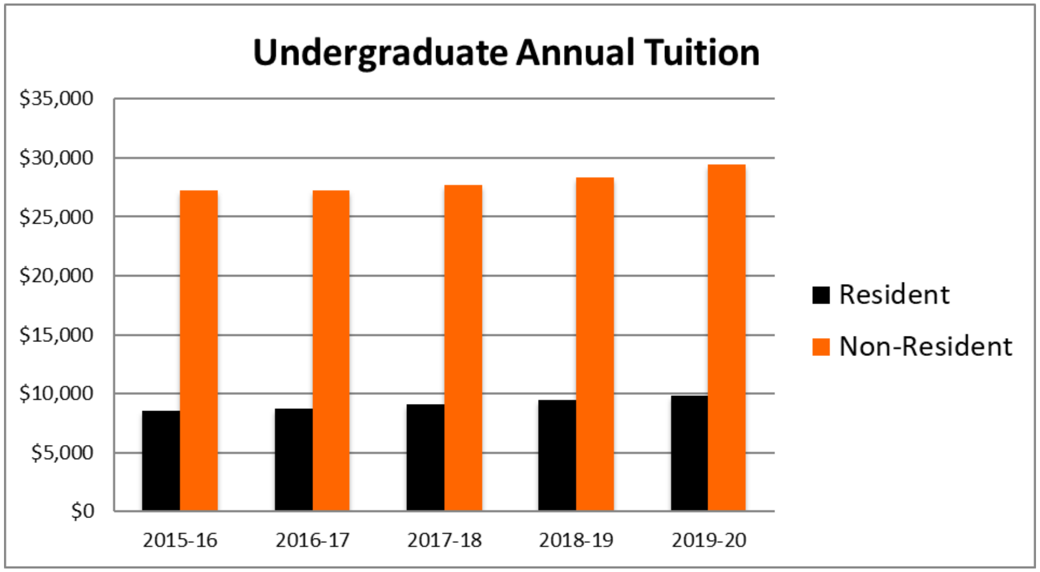
Funding for student aid at both the federal and state levels remain in play. The Oregon Legislature has been asked for significant increases in the Oregon Opportunity Grants, but the outcome of that request is unclear. While year-round funding has been restored for Pell Grants, the Perkins Loan program was terminated and there are frequent changes in policy and guidance from the Department of Education. OSU's government relations staff is providing regular updates on the federal planning landscape.

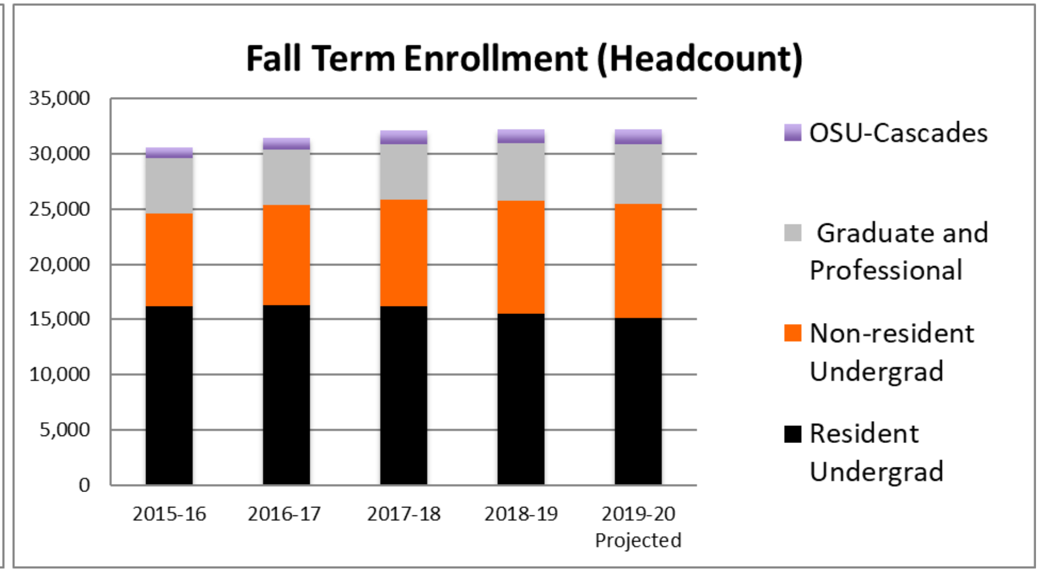
Diversifying the research portfolio will be an essential strategy for the future, and the Research Office continues to work to grow OSU's revenues from partnerships with industry, patents, and licensing. The OSU Foundation is building a base for the next capital campaign.

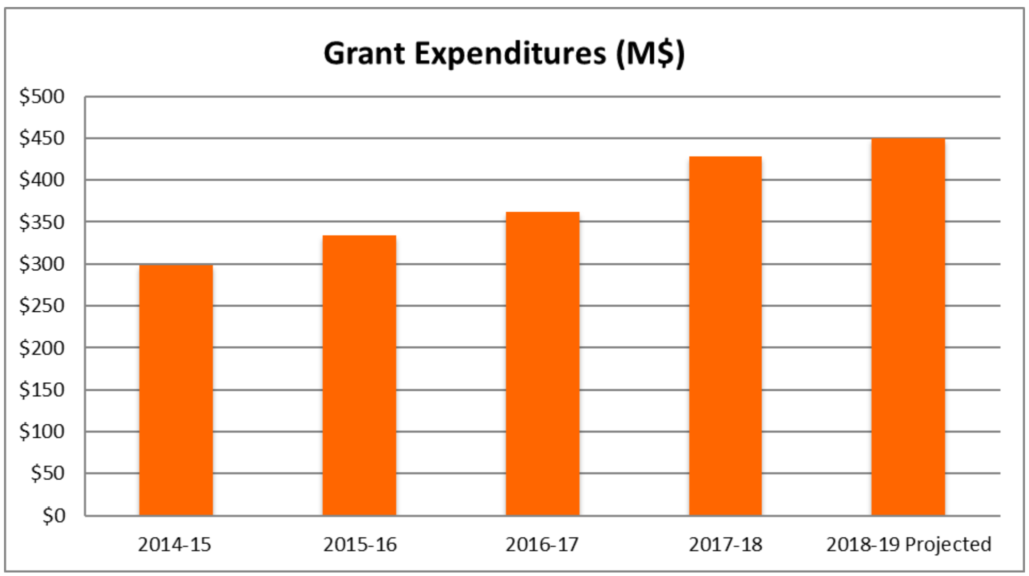
RECOMMENDATION

Staff propose that the Finance & Administration Committee recommend to the Board that it approve the FY2020 operating budget, as presented in Tables 1 through 4.

Figure 1: Key metrics related to revenues and expenditures at Oregon State University. Past four years' actuals, current year estimated for grant expenditures and degrees. Past three years' actuals, current year estimates, and next year projected for enrollment and tuition.







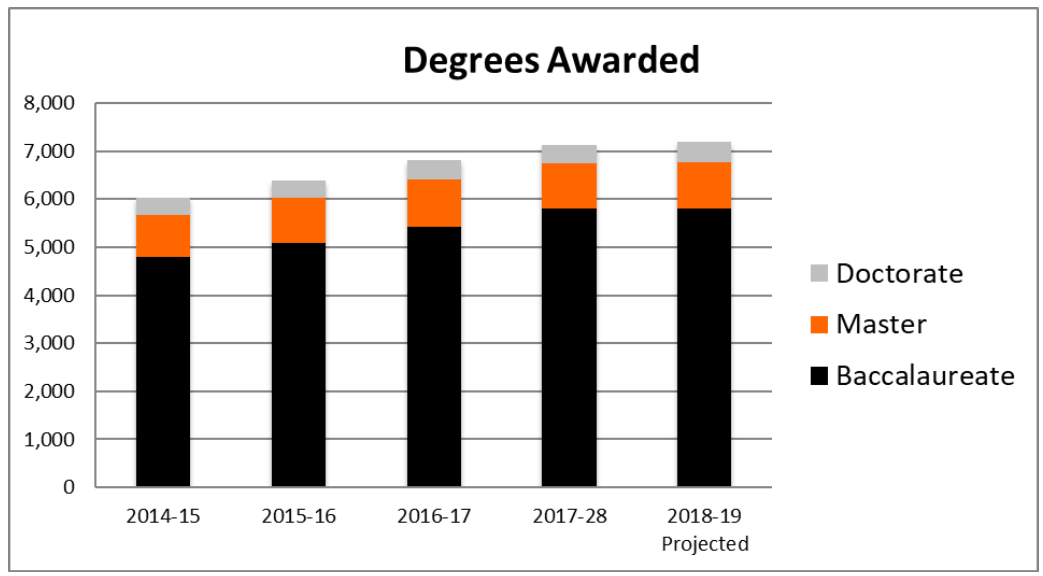


Figure 2: Summary of proposed FY2020 operating budget for Oregon State University.

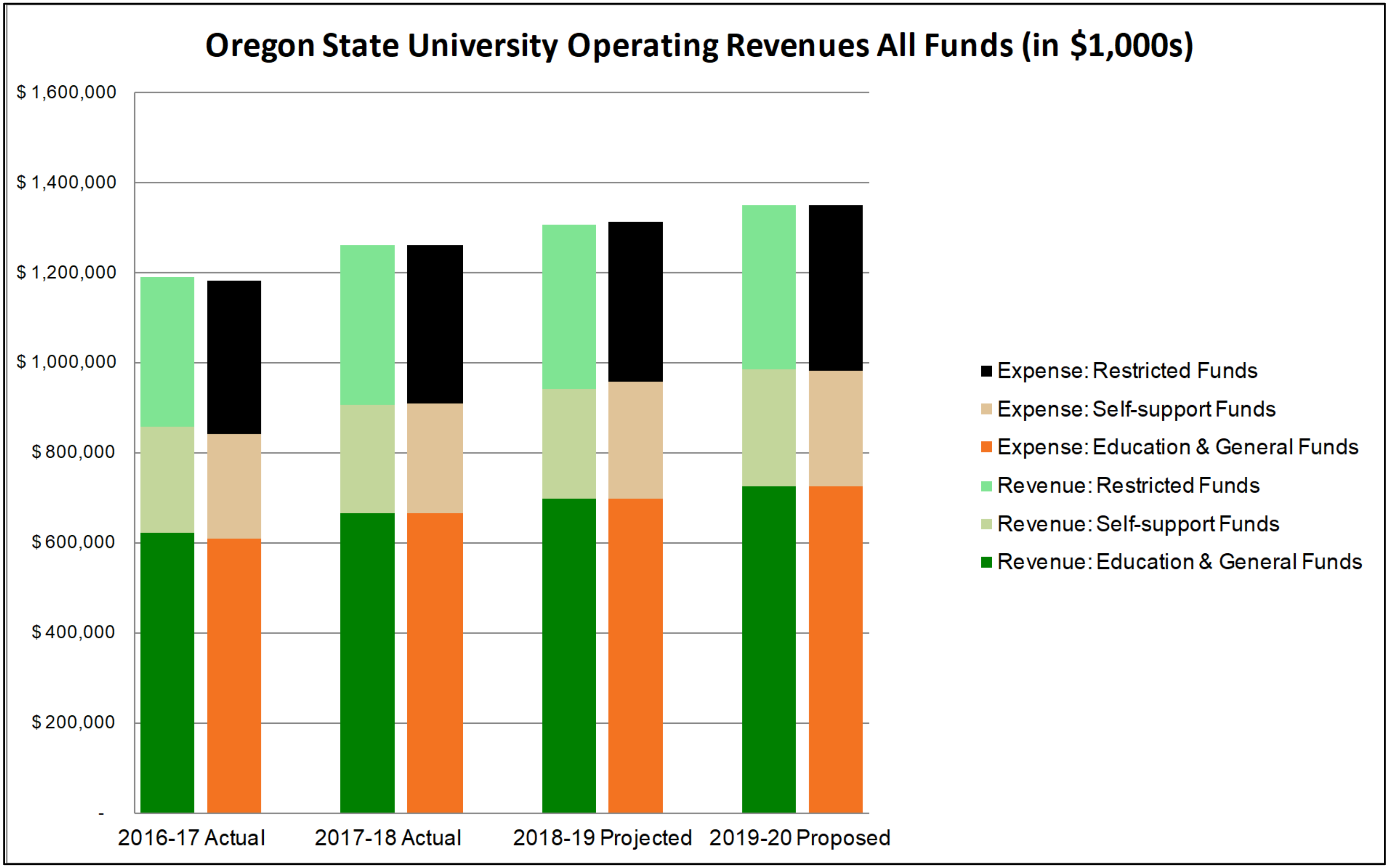
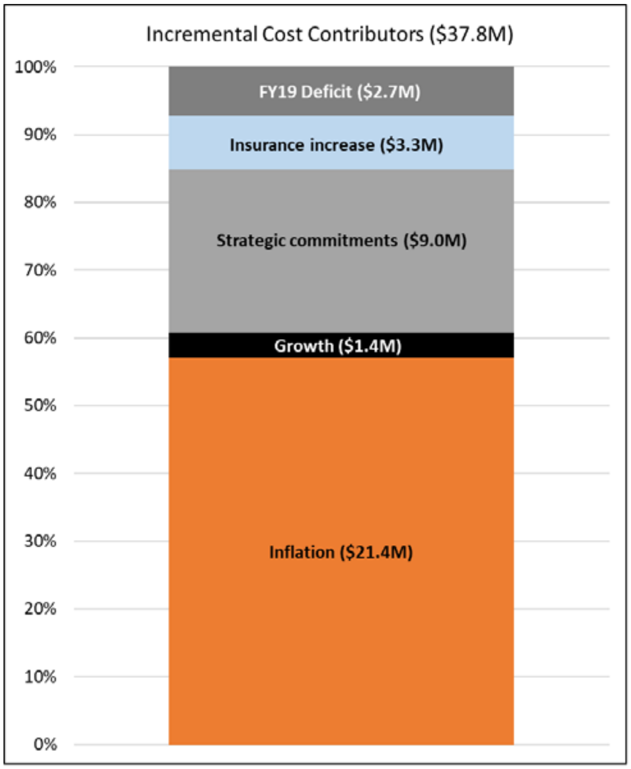


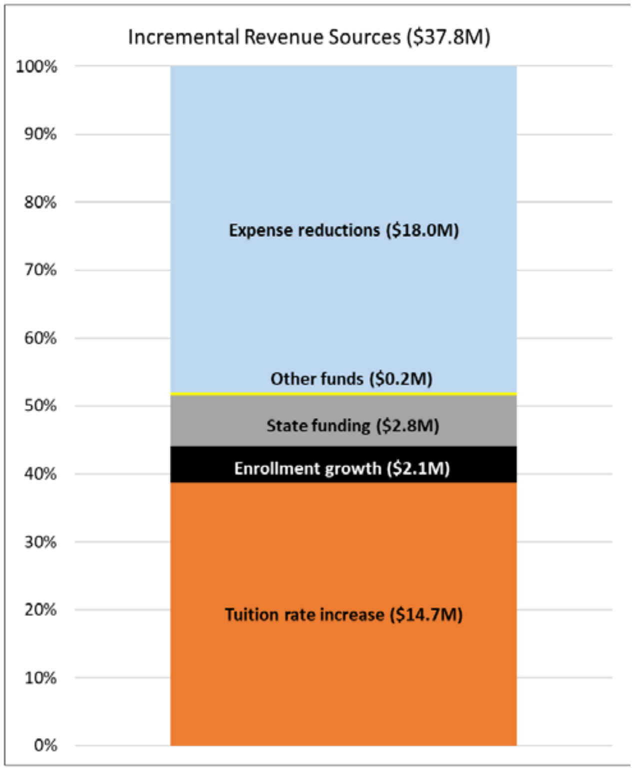
Table 1: Education and General Funds Revenues and Expenditures

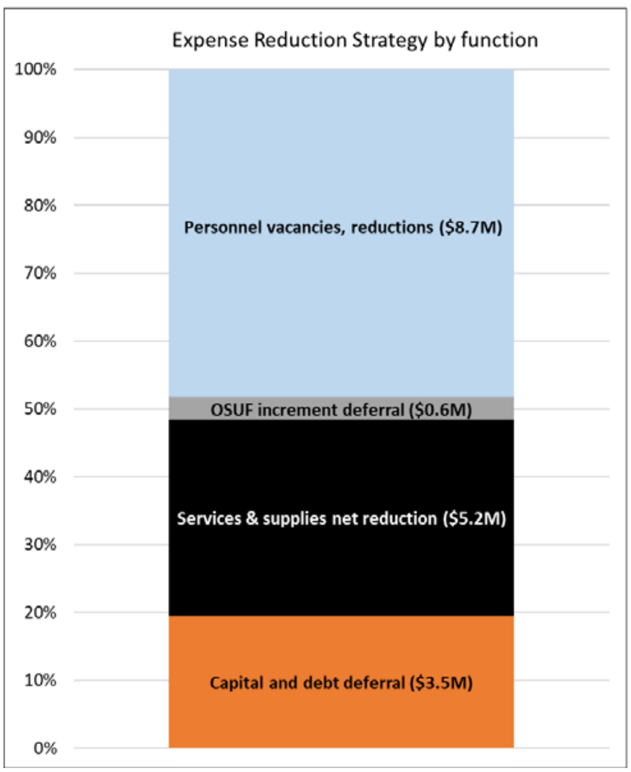
EDUCATION & GENERAL (Corvallis, Cascades, Statewide Public Services)

(in thousands except enrollment)	2017 Actual	2018 Actual	Q3 2019 Projection	2020 Budget	2017-18 % Chg.	2018-19 % Chg.	2019-20 % Chg.
State General Fund	$179,241	$199,262	$212,995	$226,761	11%	7%	6%
Tuition & Resource Fees, net of Remissions	350,283	367,279	382,062	*397,865*	5%	4%	4%
Other	93,654	100,404	101,617	*102,086*	7%	1%	0%
Total Revenues	**623,178**	**666,945**	**696,674**	**726,712**	**7%**	**4%**	**4%**
Personnel Services	(473,724)	(503,433)	*(526,012)*	*(540,495)*	6%	4%	3%
Supplies & Services & Capital Outlay	(126,277)	(138,982)	*(154,052)*	*(165,873)*	10%	11%	8%
Total Expenditures	**(600,001)**	**(642,415)**	**(680,064)**	**(706,368)**	**7%**	**6%**	**4%**
Net from Operations	23,177	24,530	16,610	20,344			
Transfers In	2,873	3,339	*9,640*	*3,709*	16%	189%	-62%
Transfers Out	(11,529)	(24,466)	*(27,369)*	*(24,647)*	112%	12%	-10%
Fund Additions/(Deductions)	0	0	0	0			
Change in Fund Balance	14,521	3,403	(1,119)	(594)			
Beginning Unrestricted Net Assets	**80,009**	**94,530**	**97,933**	**96,814**			
Ending Unrestricted Net Assets	**$94,530**	**$97,933**	**$96,814**	**$96,220**	**4%**	**-1%**	**-1%**
% Operating Revenues	15.2%	14.7%	13.9%	13.2%			

Figure 3: Corvallis Education and General budget projections and preliminary expense reduction strategies. Since the March Board discussion, the $12.7M budget gap is now about $18M due to lower projections for non-resident tuition revenues and an unusually large projected insurance rate increase (top two graphs). Preliminary planning for expense reductions (reflected in Tables 1 through 4) are illustrated in the bottom two graphs.







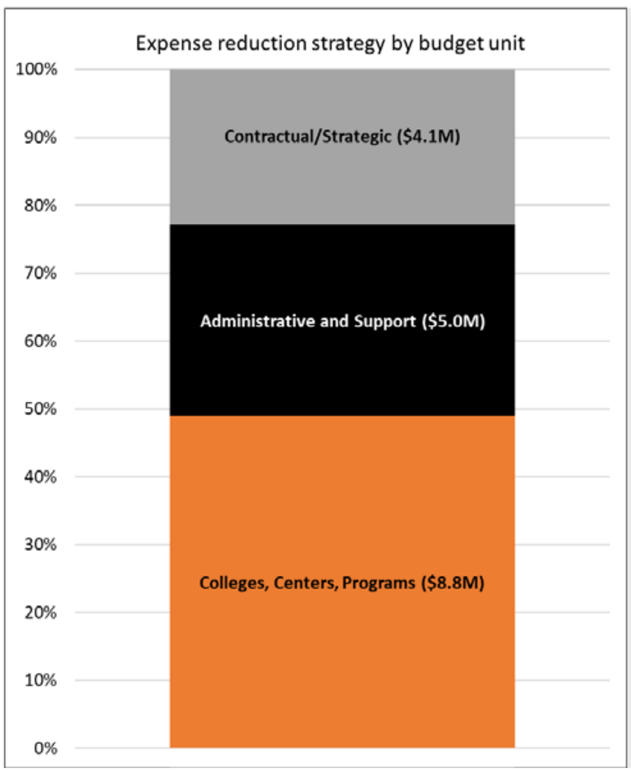


Table 2: Self-support Funds Revenues and Expenditures.

SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments

(in thousands)	2017 Actual	2018 Actual	Q3 2019 Projection	2020 Budget	2017-18 % Chg.	2018-19 % Chg.	2019-20 % Chg.
Enrollment Fees	$37,393	$39,093	*$39,783*	*$40,928*	5%	2%	3%
Sales & Services	155,949	161,623	164,804	173,280	4%	2%	5%
Other	39,301	39,662	41,499	43,169	1%	5%	4%
Total Revenues	**232,643**	**240,378**	**246,086**	**257,377**	**3%**	**2%**	**5%**
Personnel Services	(106,137)	(117,183)	*(117,732)*	*(125,262)*	10%	0%	6%
Supplies & Services & Capital Outlay	(113,461)	(121,206)	*(122,153)*	*(124,611)*	7%	1%	2%
Total Expenditures	**(219,598)**	**(238,389)**	**(239,885)**	**(249,873)**	**9%**	**1%**	**4%**
Net from Operations	13,045	1,989	6,201	7,504			
Transfers In	9,304	11,169	*10,073*	*9,322*	20%	-10%	-7%
Transfers Out	(15,710)	(13,509)	*(22,484)*	*(9,608)*	-14%	66%	-57%
Additions/(Deductions) to Unrestricted Net Assets	(8,474)	(6,648)	*(7,964)*	*(4,028)*			
Change in Unrestricted Net Assets	(1,835)	(6,999)	(14,174)	3,190			
Beginning Unrestricted Net Assets	**44,206**	**42,371**	**35,372**	**21,198**			
Ending Unrestricted Net Assets	**$42,371**	**$35,372**	**$21,198**	**$24,388**	**-17%**	**-40%**	**15%**
% Operating Revenues	18.2%	14.7%	8.6%	9.5%			

Table 3: Restricted Funds Revenues and Expenditures.

RESTRICTED FUNDS

(in thousands)	2017 Actual	2018 Actual	Q3 2019 Projection	2020 Budget	2017-18 % Chg.	2018-19 % Chg.	2019-20 % Chg.
Federal	$218,610	$240,697	$242,795	$246,437	10%	1%	2%
State	22,017	17,638	19,534	19,924	-20%	11%	2%
Other	94,953	93,993	98,727	100,701	-1%	5%	2%
Total Revenues	**335,580**	**352,328**	**361,056**	**367,062**	**5%**	**2%**	**2%**
Personnel Services	(132,276)	(134,789)	(135,508)	(138,219)	2%	1%	2%
Supplies & Services & Capital Outlay	(199,773)	(215,222)	(217,717)	(226,426)	8%	1%	4%
Total Expenditures	**(332,049)**	**(350,011)**	**(353,225)**	**(364,645)**	**5%**	**1%**	**3%**
Net from Operations	3,531	2,317	7,831	2,417			
Transfers In	394	323	*74*	75	-18%		1%
Transfers Out	(3,473)	(1,276)	*(4,288)*	(2,140)	-63%	236%	-50%
Additions/(Deductions) to Restricted Net Assets	(1,647)	0	0	0			
Change in Restricted Net Assets	(1,195)	1,364	3,617	352			
Beginning Restricted Net Assets	**10,547**	**9,352**	**10,716**	**14,333**			
Ending Restricted Net Assets	**$9,352**	**$10,716**	**$14,333**	**$14,685**	**15%**	**34%**	**2%**
% Operating Revenues	2.8%	3.0%	4.0%	4.0%			

Table 4: Summary of budgeted inter-fund transfers.

OREGON STATE UNIVERSITY - Budgeted Transfers
Fiscal Year 2020

Education & General

Transfers In		Transfers Out	
From Self Support		To Self Support	
Royalties (Trademark fund)	2,109,610	Athletics	8,000,000
Auxiliaries	468,000	Service Centers support	821,857
Service Centers (Insurance Claims)	250,000	Designated Operations support	434,884
From Grants (Jefferson Bldg)	120,000	Various Auxiliaries	10,000
Termination of Plant Funds	500,000	Royalties	5,000
From Plant Funds	261,711	To Grants (Restricted)	75,000
Total Transfers In	3,709,321	To Plant	15,300,000
		Total Transfers Out	24,646,741

Self Support

Transfers In		Transfers Out	
From E&G - Athletics	8,000,000	To E&G from Royalties (Trademark)	2,109,610
From E&G - Service Centers	821,857	To E&G from Athletics	468,000
From E&G - Designated Operations	434,884	To E&G from Service Centers	250,000
From E&G - various Auxiliaries	10,000	To Internal Bank from Athletics	
From E&G - Telecom	30,000	To Plant	6,780,000
From E&G - Royalties	5,000	Total Transfers Out	9,607,610
From Restricted - Misc. Auxiliaries	20,000		
Total Transfers In	9,321,741		

Restricted Funds

Transfers In		Transfers Out	
From E&G	75,000	To E&G - grant for Jefferson Building	120,000
Total Transfers In	75,000	To Misc. Auxiliaries	20,000
		To Plant	2,000,000
		Total Transfers Out	2,140,000

Table 5: Detail for Education and General Fund Operations Projected for 2019-20.

E&G Projections	**E&G-Corvallis**	**E&G-Cascades**	**AES**	**EXT**	**FRL**	**OS**	**Adj**	**Total**
State Appropriation	$ 130,855,000	$ 7,506,407	$ 34,361,078	$ 24,667,512	$ 5,371,000	$ 24,000,000		$ 226,760,997
Net Tuition & Resource Fees	387,204,000	10,660,678	-	-		-		397,864,678
Other Revenue	69,703,000	239,178	7,141,955	20,460,000	4,542,000	-		102,086,133
	587,762,000	**18,406,263**	**41,503,033**	**45,127,512**	**9,913,000**	**24,000,000**		**726,711,808**
Personal Services	443,014,730	15,755,902	34,279,890	38,201,756	8,100,000	1,142,690		540,494,968
Supplies & Services	137,736,000	3,961,052	9,411,210	7,723,669	2,250,000	22,519,651		183,601,582
Capital Outlay	5,906,000	32,802	606,780	105,000	50,000	-		6,700,582
Student Aid	1,568,000	-	-	-	-	-		1,568,000
Internal Sales	(25,000,000)	(10,000)	(751,673)	(125,000)	(110,000)	-		(25,996,673)
	563,224,730	**19,739,756**	**43,546,207**	**45,905,425**	**10,290,000**	**23,662,341**		**706,368,459**
Net Operating Gain (Loss)	**24,537,270**	**(1,333,493)**	**(2,043,174)**	**(777,913)**	**(377,000)**	**337,659**		**20,343,349**
	3,447,610	261,711	1,830,649	1,127,913	480,000	-	(3,438,562)	3,709,321
	(27,985,303)		(100,000)	-	-	-	3,438,562	(24,646,741)
Change in Fund Balance	**(423)**	**(1,071,782)**	**(312,525)**	**350,000**	**103,000**	**337,659**		**(594,071)**
Beg Est Fund Balance-FY19 3rd Qtr Est	80,311,956	2,924,033	3,368,778	4,826,096	2,436,345	2,946,792		96,814,000
FY20 Estimated Ending Fund Balance	**$ 80,311,533**	**$ 1,852,251**	**$ 3,056,253**	**$ 5,176,096**	**$ 2,539,345**	**$ 3,284,451**		**$ 96,219,929**
	13.7%	*10.1%*	*7.4%*	*11.5%*	*25.6%*	*13.7%*		*13.2%*

Appendix A: Budget Explanatory Notes

Oregon State University, like most colleges and universities, uses fund accounting. Fund accounting recognizes the diversity of sources and purposes of revenues and emphasizes accountability for the proper use of those revenues. Each fund type is self-balancing and has its own revenues, expenditures, assets, liabilities, and fund balance.

Fund Types

Education and General (E&G) Funds: These are unrestricted current funds expendable for any purpose in performing the primary objectives of the institution (instruction, research, and public service).

E&G Funds come principally from state appropriations and tuition and fees paid by students. They also include indirect costs paid by external grants and contracts (termed Facilities and Administrative or F&A costs) to defray the added costs of providing support for funded research projects and miscellaneous sources of income such as interest and sales and services fees within academic units. The E&G funds provide the primary support for the instructional, academic support, institutional management, outreach and engagement, and some research activities of the university

Self-Support Funds: Self-Support Funds are for units that are expected to generate revenues sufficient to cover most of their expenses. OSU defines three kinds of self-support operations.

- **Auxiliary Enterprises:** Self-sustaining units which provides goods or services primarily to students, faculty, and staff as individuals. They charge a fee directly related to, although not necessarily equal to, the cost of the goods or services. The general public may be served incidentally by auxiliary enterprises. Examples of Auxiliary Enterprises at OSU include UHDS, Athletics, Student Health Services and Parking Services.
- **Service Centers**: Self-sustained activities which provide goods or services to the academic university community. No more than 20% of revenue may be from external sales. Examples of Service Centers at OSU include Telecom, Printing & Mailing, Motor Pool and Surplus Property.
- **Designated Operations**: Self-sustaining activities related to instruction and public service where 80% or greater of the revenue is derived from external sources. Examples include non-credit instruction portion of field trips and international education, community education (non-credit conferences, workshops, seminars), the OSU Press, and public service (testing services) like the Seed Certification Lab.

Revenues from royalty payments are also managed with the self-support funds.

Restricted Funds: Restricted Funds are provided to the university for specific purposes and projects. The most common types are grants or contracts from Federal, State, and private foundations for research and scholarships, Federal financial aid awards, and gift funds distributed from the OSU Foundation and other endowments for scholarships, endowed professorships, research projects, and other specifically designated activities.

Revenue and Expense Categories

The summary budget reports in Tables 1 through 3 include the following components:

Revenue:

- State General Fund: Appropriations authorized by the State of Oregon. These include funds for general operations of the university as well as funds designated for specific university functions such as the Statewide Public Services and the Oregon Climate Change Research Institute
- Tuition and Resource Fees, net of Remissions: These are tuition and fee charges to students, less waivers of tuition made as financial aid. Tuition waivers are the principal form of institutional financial aid provided to undergraduates
- Other: These include the F&A costs paid by grants, sales and service income generated within Departments and Colleges outside designated operations, and interest income from various university accounts
- Enrollment Fees: Some student fees are directed to self-support operations such as the Memorial Union and Student Health Services
- Sales & Service: Many of the self-support operations sell goods and services to the university community and the general public. Examples include ticket sales in Athletics, dining hall revenues, and housing contract charges
- Other: The self-support operations have other sources of revenues including charges to other university units, interest revenue, and lottery proceeds
- Federal Restricted Funds; Awards from Federal agencies for research and scholarship projects
- State Restricted Funds: Awards from State agencies for research and scholarship projects
- Other Restricted Funds: Research grants or contracts from other government entities, private foundations, and other universities

Expenditures:

- Personnel Services: These include salaries for classified (represented) staff, unclassified staff, students, and graduate assistants and benefits including retirement, health insurance, taxes, and graduate tuition remissions
- Supplies & Services & Capital Outlay: office expenses, utilities, telecommunications, assessments, debt payments, non-capital equipment, contract services, capitalized equipment

Other Adjustments:

- Transfers in: Transfer from other funds in support of operations
- Transfers out: Transfers to plant funds or other funds in support of operations
- Other Additions/Deductions: Primarily the use of working capital to purchase capital assets or pay long-term debt.